

## NEWS SUMMARY

### GENERAL

**How in house ver**  
**ussian**

visit of Mr. Boris Yeltsin, head of the National Department of the Central Committee, to appear in the Commons today.

Margaret Thatcher, leader of the Conservative Opposition, condemned it as a major political blunder which would be a Soviet propaganda coup in the Eastern bloc.

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By Haw Par

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### BUSINESS

**Equities gain 5 in technical rally**

● EQUITIES made their first substantial advance for eight sessions, as bear closing ahead of today's end of the Account pushed the FT 30-Share Index up 5.2 to 370.5.

● GILTS regained some ground as fears of a rise in MLR receded. Gains of up to 0.15 lifted the Government Securities Index 0.15 off its 21-month "low" to 56.03.

● GOLD rose \$51 to \$123 in active trading after the success of the IMF gold auction.

● STERLING finished 62 points lower at a record closing "low" of \$1.57 after touching \$1.5753. Its weighted depreciation widened to a worst-ever 48.8 per cent. (48.1). The dollar was unchanged at 2.35 per cent.

● WALL STREET closed 3.49 down 552.63.

● U.S. TRADE DEFICIT last month was \$779m., except for August, the largest in 25 months. Imports of \$10.8bn. (swollen by non-oil items) were the second biggest ever. Page 5.

● PRICES rose 1.1 per cent. during September in France, one of the worst rises this year. Page 4.

● JAPAN UNMOVED on shipbuilding

● SHIPBUILDING members of the EEC have failed to persuade Japan to reduce its share of the world market below 50 per cent. Back Page.

● URANIUM mining in Australia was given the go-ahead by the long-awaited Ranger report, which rejected arguments that development of the country's large deposits was too hazardous. Back and Page 6.

● SHUTDOWN of production facilities at BP's Grangemouth chemical plant has begun in preparation for a strike called for Monday over fringe benefits. Page 12.

● SHELL PETROL is likely to cost 4p a gallon more at the pumps, following the company's increase in wholesale tariffs. Page 8.

● AUDITING OF BANKS should be open only to the experienced elite of firms within the profession, says Mr. Gordon Richardson, Governor of the Bank of England.

● HARTLEY BAIRD, the engineering group, was "gravely mismanaged" by Dr. Kurt Wallerstein, who was chairman for 12 years to 1974 and who is EEC Commissioner, says a Department of Trade report. Page 9.

● DUNLOP HOLDINGS reports first-half taxable profits up \$12.5m. at \$32.1m. Page 23 and Lex.

● CENTURY OILS is to fight a \$4.25m. takeover bid by BP. Page 24.

● HITACHI has nearly doubled its first-half profits to \$32.5m. (\$27.5m. a year ago) in spite of poor home sales. Page 26.

## PRICE CHANGES YESTERDAY

pence unless otherwise indicated		
RISKS:		
er. Ind.	500 + 30	
and	173 + 11	
	60 + 3	
roperty	231 + 4	
James	132 + 8	
	308 + 10	
203 + 10		
Sidley	346 + 10	
rightson	311 + 31	
Bank	160 + 5	
146 + 5		
W.)	194 + 21	
Hdg. & Inv.	122 + 7	
164 + 5		
eam	82 + 10	
202 + 6		
Trust	67 + 5	
BP	655 + 7	
Century Oils	32 + 23	
Shell Transport	302 + 5	
Woodside-Burmah	120 + 10	
Barymin	57 + 20	
Cons. Gold Fields	127 + 10	
East Driolein	805 + 10	
North Broken Hill	220 + 12	
Pancontinental	1101 + 11	
Peko-Wallend	530 + 60	
Randfontein Estates	223 + 21	
Vaal Reef	1101 + 11	
Western Mining	180 + 10	
FALLS:		
Desouter Bros.	130 + 5	
M.K. Refrigeration	45 + 5	
Morrison (W.)	48 + 5	
Nat. Carbonising	171 + 21	
Photax (London)	23 + 5	
Richardson Westrith	24 + 21	
Sterite Eas	23 + 5	
Union Discount	200 + 10	

## Government pressed to produce further economic package

BY RICHARD EVANS, LOBBY EDITOR

The pressures on the Government to take further action to strengthen the economy increased sharply yesterday with advice from different sections of the Labour Party and from Sir Geoffrey Howe, Shadow Chancellor of the Exchequer.

Most significantly, the 70-strong Manifesto Group of moderate Labour MPs, while offering tactical loyalty to Mr. James Callaghan and Mr. Denis Healey, Chancellor of the Exchequer, urged the Cabinet to introduce a radical programme of measures, including selective import controls, an import deposit scheme and a reduction in the public-sector borrowing requirement by cuts in public spending or by increased indirect taxation.

The message of the group, whose views carry considerable influence within the Cabinet, was that the Government should produce a major one-and-for-all package to ensure success for its current strategy rather than persisting in introducing measures by dribs and drabs.

On a day when close associates of Mr. Callaghan were emphasising his continued determination to maintain a firm grip on Government policies following a bruising clash with Labour's national executive, leading left-wing MP underlined the division in the Labour movement.

Mr. Brian Seligman, MP for Luton West and an economic spokesman for the Tribune group, well put the Labour's strategy in Tribune.

and indicated that it would continue to be pressed hard despite the increasing strains on party unity.

Although no Cabinet decisions have been taken, Labour MPs are convinced a further package must be introduced once the negotiations with the IMF over the £1.5bn. loan are completed.

The issue engaging the party in a continuing atmosphere of deep anxiety and low morale, is where the inevitably unpleasant measures should strike.

The Manifesto Group, which seeks an early meeting with Mr. Healey, emphasises its unwavering support for the Government's economic strategy, but outlines a number of "inescapable measures" if that strategy of reducing inflation and regenerating manufacturing industry is to succeed.

In a counter-offensive against the militant Left, the moderates insist that the Government would get massive support both in and outside the Labour Party for a series of harsh measures seeking to give priority to curbing inflation, preserve the Government's industrial strategy, and avoid a retreat into a "stag" economy.

Their package involves lowering the public-sector borrowing requirement either by further

cuts in public spending, higher indirect taxation or by requiring a greater proportion of local government spending to be financed from the rates.

Of these options the majority would probably favour higher taxation, giving an increase in value-added tax to 10 per cent, and higher excise duties. But the group stresses that if the Chancellor chose a combination of all three it would support him.

There is a demand for selective import controls and for an import deposit scheme, but continued opposition in general to controls on imports. The danger of the present situation, they argue, is that imports flood in while there is an expectation of action against unfair foreign competition.

Mr. Ian Wrigglesworth, the group's secretary, said its proposals would undoubtedly mean higher prices and further living standards cuts.

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continued concern about monetary policy, contributed to intense speculation about a possible rise in MLR.

Although three-month Treasury Bill rates still technically indicated a possible rise in MLR of up to half a point today, the signs last night were that the authorities would discourage such a change.

The position can, of course, change this morning, but it appeared last night that the authorities did not want to see a further rise now, in view of the comments of both the Governor of the Bank of England and the Chancellor of the Exchequer about the unacceptability of the high level of rates.

While Mr. David Abel, managing director, is determined that it should expand, and has made several take-overs recently, he is anxious to avoid having off from Leyland or being used for restructuring purposes beyond the future development of British Leyland's special products division.

The move has been encouraged by the Department of Industry, which is anxious to see the Board take a more active part in developing the industrial strategy.

It also has the backing of a number of industries themselves, who urged just this need for restructuring in the sector working parties under the strategy.

Lord Ryder, on the other hand, is believed to be taking the development with a good deal of caution, both because of the criticism that it might arouse from companies and the Conservatives and because of the many practical pitfalls which the Industrial Reorganisation Corporation experience has shown up.

The Conservative Party has already threatened to abolish the Board if it takes too much power. There remains the lingering suspicion in industry that an

of the old League of Nations building seemed to indicate that this will be a highly complex and difficult meeting.

As delegates assembled, watched by the Press, the tense atmosphere was perhaps summed up by Bishop Muzorewa, who prominently displayed, in front of the two empty chairs alongside him the names of two black Rhodesians, one in jail in Rhodesia and the other believed captured by the Rhodesians and, according to nationalists, thought to be dead.

Mr. Richard's speech, in private session, appears to have been in tune with his evident attempt to avoid confrontation between the white Rhodesians and the nationalists.

He is understood to have said that this conference was different from all those so far held on Rhodesia because for the first time the Government there had accepted majority rule. The question was when and how it would come.

To-morrow is apparently to be taken up by set speeches by five delegation leaders.

U.S. official may attend, Page 6

**Lending rate unlikely to rise**

By Peter Riddell, Economics Correspondent

THE BANK of England's Minimum Lending Rate is unlikely to rise this afternoon following an easing of pressures in the money market yesterday.

Conditions were slightly less straitened in the foreign exchange market, with fewer rumours—though this is solely by comparison with the very hectic days earlier in the week.

The pound fell, for the fourth successive day, with a closing decline of 62 points to \$1.57, while the trade-weighted depreciation widened by 0.7 points to a worst-ever level of 48.8 per cent.

Gold was, however, strong, with a rise of \$51 to \$123 following what was seen by the market as a successful IMF gold auction on Wednesday.

The fall in certain short-term U.K. interest rates yesterday linked to the appearance of a surplus of funds on the money market followed a week of tight conditions which, together with

continued concern about monetary policy, contributed to intense speculation about a possible rise in MLR.

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**U.K. issues raised in U.S. poll**

BY DAVID BELL

WASHINGTON, Oct. 28

PRESIDENT FORD today used the present state of Britain as an example of the disaster that might befall America if Mr. Jimmy Carter wins.

The Democratic candidate, meanwhile, found himself in the middle of a controversy about Northern Ireland.

Campaigning in Indiana, Mr. Ford cited Britain as an example of the evils of government "overspending." He said the pound had fallen to the lowest level in its history, and that "the courageous Prime Minister" that troubled nation has gone to the heart of the problem.

He quoted Mr. Callaghan as saying that increased government spending, far from ending the recession had led instead to greater unemployment and more inflation. "Democratic" big spending, he said, might have the same results in the U.S.

"We must not let it happen here," he said.

Mr. Carter came under fire from some quarters in Britain today for remarks he is reported to have made in Pittsburgh last night while talking to Irish-American leaders.

Reports that he was wearing an IRA "Get Britain Out" badge have been angrily denied by the Carter headquarters in Atlanta, and have not been confirmed by anyone present at the meeting.

At one point Mr. Carter said: "The Democratic Party understands the special problems in Ireland. It is a mistake for our Government to stand idle. I know how heartless you feel to see the bloodshed and disharmony in Ireland."

Later, Father Sean MacManus, another speaker, quoted what he said was a line from the Democratic Party manifesto. He claimed the party was committed to "encouraging a formation of a united Ireland," but this phrase is nowhere to be found

in the document and Mr. Carter never made any reference to it. In Atlanta, a Carter spokesman said that the Democratic candidate "has never endorsed tactics or organisations which either implicitly or explicitly advocate violence as a solution to the Irish problem."

The manifesto also called down arms against "violence and terror" and called for the UN and other international bodies to take a more active role, with the U.S. trying to find a solution to the "Irish problem."

It remains to be seen whether the sudden emergence of these two British issues may on the course of the election campaign. But Mr. Ford's attempt to hold up Britain as an example of all the evils might befall the U.S. is the latest in a number of Republican attempts to wrest the economic issue away from Mr. Carter.

Mr. Ford's chief of staff claimed today that the Republicans have now effectively won the election by breaking Carter in much of the South, beating him in California, and overtaking him in the Midwest.

to be so close that neither of them can have any reliable date about how things are going the closing days.

The polls do not really support the victory claims of either in California, for instance, Ford is thought to be narrow ahead, but Mr. Ronald Reagan's refusal last night to campaign there.

In Michigan, Mr. Ford's appears to be dwindling as fast as Mr. Carter's has in Illinois. And in South, still the cornerstones of Mr. Carter's strategy, there are no real signs of the kind of breakthrough the Republicans claim.

Democrats fear Republican blitz, Page 5

## Fly the flag to Paris

08:00  
10:00  
12:00  
14:00  
16:00  
18:00

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## Rhodesia talks open briefly

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

GENEVA, Oct. 28.

THE BRITISH sponsored Rhodesia conference got off to a hesitant start here this afternoon. After a two-hour postponement, the first formal session lasted only half-an-hour and ended at 11:00.

The proceedings consisted of a 20-minute speech by Mr. Ian Richard, the conference chairman, who also read out a two-paragraph message from Mr. James Callaghan, wishing success for the conference as a major step towards the attainment of independence for Rhodesia.

Mr. Callaghan urged participants "not to let this opportunity slip" and assured them of the British Government's fullest support in their efforts.

Although no official reason beyond "technical problems" was given for the two-hour delay, it seems clear that it was a result of a protest against Britain's low-key role by two of the four African nationalist delegations.

Mr. Joshua Nkomo and Mr. Robert Mugabe, who have formed a "patriotic front," asked to see Mr. Richard just

before the conference was due to open at three o'clock, and protested for the third time that a Cabinet Minister should take the chair.

The protest, while not designed to break up the conference, according to sources in the "front," was intended to push the chair.

Guerrillas have killed an elderly white couple on a farm in the Luayanga holiday resort area near the Mozambique border, Rhodesian security forces said yesterday. The communiqué also reported the deaths of a white soldier and 15 guerrillas.

Britain into taking a more positive role and accepting fully its responsibilities as the "deciding power" in Rhodesia.

Mr. Richard is understood to have replied that there was no question of a British Minister taking the chair since he had a full mandate from the Cabinet.

Whether these delaying tactics will continue remains to be seen, but the sombre faces of most of the 65 delegates as they entered the marble conference chamber

of the old League of Nations building seemed to indicate that this will be a highly complex and difficult meeting.

As delegates assembled, watched by the Press, the tense atmosphere was perhaps summed up by Bishop Muzorewa, who prominently displayed, in front of the two empty chairs alongside him the names of two black Rhodesians, one in jail in Rhodesia and the other believed captured by the Rhodesians and, according to nationalists, thought to be dead.

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## by MAX LOPPERT

**Saint Sebastian's martyrdom**, from 'Sebastiane'

by ANTHONY HICKS

making, continues until November 12.

The *Bingo Long Travelling All-Stars and Motor Kings* is a likeable, effortless American comedy about a 1930s negro baseball team who walk out on their manager to begin a barnstorming career on their own as travelling sportsmen and showmen. Black cinema which has been striving with similar determination in recent years to escape the ghetto, seems at last to be climbing out of the rut of flash crime thrillers, low-life comedies, and other films whose only discernible effect is to make the colour of the actors' skins *Bingo Long* has the quality of lively performance (especially from Billy Dee Williams and James Earl Jones) and charm in abundance.

★

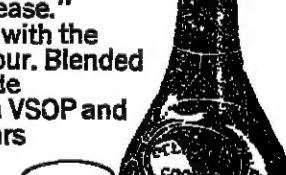
In *The Return of a Man Called Horse*, Richard Harris rides again as the English aristocrat with a penchant for life among the Red Indians. I didn't see the film's precursor, but vivid memories remain of the poster showing a semi-naked Mr. Harris with a bow in his hand, secured through his pectorals. It submits to the same unsightly treatment in this film: but luckily, out of between initiation ceremonies to help his adoptive tribe fight a group of white trappers who have driven the Indians to the edge of extinction, Krushner, whose previous forays as a film-maker has been comedy, directs the film with a burnished reverence not quite warranted by the quality of the

Address yourself to the wine waiter.  
And say "Delamain Cognac, please."  
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unique, smoothly rounded flavour. Blended  
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from a house with over 150 years  
experience."

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An illustration of a bottle of Delamain Cognac and a snifter glass. The bottle is dark with a detailed label that includes the text 'COGNAC PALE & SEC', 'Delamain', and 'FONDÉ EN 1788'. The glass is partially filled with a dark liquid, presumably cognac, and has a small droplet on its rim. The background is plain white.

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# EUROPEAN NEWS

## EEC meeting to discuss sterling rescue operation

BY GUY DE JONQUIERES

THE EUROPEAN Commission is planning to hold a wide-ranging discussion of Britain's and Italy's economic difficulties at its next meeting on Wednesday, and is expected to examine ways in which the EEC might contribute assistance.

In the view of well-informed European officials, the most useful initiative the EEC could take for Britain would be to help lighten the burden of the sterling balances. But because of the large amounts of money involved, it is considered that this task would almost certainly be beyond the present resources of the Community, and that wider international participation would be needed.

Because of this, before considering any firm proposals for action, EEC officials would like to have a clearer idea of how far Britain's major non-EEC trading partners would be willing to take part in a broader international rescue operation. It is believed that U.K. authorities are planning to sound out officials in the U.S. and Japan as well as West Germany, on this question through bilateral contacts in the near future.

It is generally acknowledged in Brussels that, of the Nine, Germany is the only country in a position to make a substantial contribution to aid the U.K. and Italy, but that for political reasons it would be necessary to dress up any assistance as an EEC operation and not a German one. In recent days, Ger-

man officials have also made it plain that they consider that any measures to consolidate the sterling balances will have to involve the U.S. and Japan.

It is understood that the Commission next Wednesday, which will be presided over by Herr Wilhelm Haferkamp, the Commissioner responsible for economic and monetary affairs, will place Britain's and Italy's problems against the general background of increasing divergence between national economies of the Nine and its effects on Community co-operation. Among the questions which Herr Haferkamp is believed to be interested in exploring is to what extent a sterling rescue operation might be combined with longer-term plans, proposed by Mr. Willem Duisenberg, the Dutch Finance Minister, for limiting the fluctuation of EEC currencies within "target zones" and closer co-ordination of economic and monetary policies among the Nine.

Commission experts have been instructed to draw up working papers on these and other points over the next week, to be ready for the meeting of the 13 Commissioners on Wednesday.

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## Russia sells gold again

BRUSSELS, Oct. 28.

The Soviet Union recently started selling gold again after having delivered an estimated 120 tons in the first half of this year and then abruptly withdrawing from the market. John Wicks reports from Zurich. This was stated by the Swiss Bank Corporation at Otelfingen, near Zurich.

The Bank, itself a leading gold trader, believes there is a real possibility that "much larger" sales may be made by the Soviet Union, particularly in view of its high indebtedness to the West. More Russian gold may have to be absorbed by the end of the year.

**Spain Lockheed link**

A Spanish Air Force General and an implication in the Lockheed payments scandal are shareholders in Avionica, a local firm representing Lockheed in Spain, Avionica said yesterday. Reuters reports from Madrid. The Air Ministry announced two days ago that General Luis Rev Rodriguez and Colonel Carlos Grandal Segade had been suspended because they had been linked to the Lockheed scandal.

**Fish cancer**

A fish disease spreading along Finland's south coast is ruling between 10 and 25 per cent of the fish, according to Finnish fishermen, Reuters reports from Helsinki. A Finnish fishery research spokesman said that diseased cod were being examined for possible spread of the disease, known as sarcomatosis, a form of cancer.

**Crosland visit**

Mr. Anthony Crosland, the Foreign Secretary, is to pay an official visit to Yugoslavia from November 2 to 5, the Foreign Office announced yesterday. His foreign staff reports. His talks will cover a wide range of international issues including East-West relations, next year's review of the Conference on Security and Co-operation in Europe and Yugoslavia's links with the EEC.

**French-Saudi talks**

French Defence Minister, Yvon Bogoras, leaves today for Riyadh for talks with Saudi King Khalid and Defence leaders on speeding up a huge programme for building a French-aided arms industry in Saudi Arabia. He also hopes to clinch new arms deals with Saudi Arabia.

**Swedish governor**

THE THREE non-Socialist parties forming the new Swedish Government have agreed to nominate Mr. Nord-Lander, a lawyer by profession, as Governor of the Riksbank (central bank) in succession to Mr. Krister Wickman.

The Governor is appointed by the Riksbank Board of Trustees, and must himself be a trustee. They are politically appointed in rotation to the parties' Parliamentary strength, so that Mr. Nord-Lander's appointment can be considered a foregone conclusion.

The non-Socialist Government would have preferred to keep Mr. Wickman, a Social Democrat, a decision which would have been widely approved among Swedish bankers. Mr. Wickman, however, resigned when it became apparent that his own party would not nominate him to the Board of trustees, and Mr. Nord-Lander, the Opposition leader, rejected Prime Minister Thorbjörn Fälldin's request for a change in the rules to enable the Government to appoint a non-trustee.

## Hillery likely next president

BY BRENDON KEENON

DUBLIN, Oct. 28

EVEN AS a motion of no confidence in the Irish Government, arising out of the resignation of President O'Donnell, was being debated in the Dail today, it became clear that the Fine Gael opposition party's candidate will be the Irish EEC Commissioner Dr. Patrick Hillery.

Dr. Hillery's term of office expires shortly, but there had been earlier reports that he was unwilling to run for the presidency. However, Fianna Fail backbenchers are now convinced that he will accept a draft, which is expected to come from a parliamentary party meeting on Tuesday.

It also looks as if the Government will not risk putting forward a candidate of its own, and so Dr. Hillery seems assured of an unopposed election. During today's no confidence debate, the Prime Minister, Mr. Liam Cosgrave, indicated that the Minister for Defence, whose description of the President as "a thundering disgrace" sparked off the crisis, had offered to resign on two occasions.

Mr. Cosgrave, however, refused to accept the resignation offer. "I asked him to apologise to the President and said that I would mention his offer of resignation at the Government meeting," this disclosure will help to take the heat off the Minister, Mr. Donegan, but meant that Fianna Fail's wrath was directed at Mr. Cosgrave. The end result seems to be that, as well as the embarrassment of the affair, the Government will have swapped a lawyer president for a politician, Fianna Fail one.

There was also little cheer for the Government on the economic front, with talks with employers and unions appearing to be deadlocked. Ministers met farmers' representatives today to discuss possible ways of increasing the tax rates on farmers, to take account of the growing income from the EEC. Meanwhile, the first meeting between employers and unions on a national pay agreement took place today. Even if an agreement is reached, it is likely to be much more inflationary than the Government's objectives.

## Madrid police clash with striking transport workers

BY ROGER MATTHEWS

MADRID, Oct. 28

RIOT POLICE and workers clashed violently in Madrid this morning as the city was hit by a strike of more than 5,000 bus drivers and conductors. At least 11 people were injured, two seriously, when police used rubber bullets and smoke bombs to break up a concentration of an estimated 750 drivers outside a municipal garage.

The authorities brought in drivers from the Government car pool in an effort to get on or two bus lines moving, and the Army is standing by to intervene if the strike continues. Private companies have also been called in to offer a coach service in some areas.

The decision to strike was taken in the early hours after workers managed to assemble in a church. They are demanding substantial wage increases and the payment of overdue bonuses. Police this afternoon surrounded a church in a working-class suburb, where about 1,000 bus drivers had taken refuge, and have arrested at least two strike leaders.

## Iceland waits for EEC

BY JON H. MAGNUSON

REYKJAVIK, Oct. 28

THE ICELANDIC Government is willing to negotiate a reciprocal fishing agreement with the EEC, if and when the Community reaches a concerted agreement on a joint policy on a 200-mile fishing limit for the nine nations.

Icelandic Ministers have been saying recently that the initial move must come from the Community in Brussels. A contact has already been made between the EEC Commission and the Government in Reykjavik, according to a Government official.

Iceland is also willing to talk to the British Government about the long-distance British trawler fleet off Iceland. If the EEC does not reach an agreement at The Hague meeting, but it will be difficult for Britain to obtain a separate agreement with Iceland after December 1, unless a fishing agreement has been made with the EEC. "It is not our responsibility to offer such an agreement; the initiative must and should come from the British and the EEC."

Even if the Danish Government claims that the 200-mile limit on Greenland is not a part of the EEC's 200 miles, fishing rights in this area must be taken into the picture if Iceland enters into talks with the Community.

Prime Minister Mr. Pjetur Hallgrimsson urged the Icelandic people in a policy speech to look at the long-term benefits from a possible reciprocal fishing agreement with the EEC. Recently, the Prime Minister has also been saying that Iceland must evaluate on a case-by-case basis the granting of fishing rights to other nations inside the 200-mile limit, and such rights would only be granted on a mutual basis.

The Fisheries Minister, Mr. Matthias Barnason, has said, "The British fleet must stop fishing when the Oslo agreement terminates on December 1, unless a fishing agreement has been made with the EEC. "It is not our responsibility to offer such an agreement; the initiative must and should come from the British and the EEC."

## Sharp rise in French prices

BY DAVID CURRY

PARIS, Oct. 28

THE ANNOUNCEMENT of a 1.1 per cent increase in prices in M. Raymond Barre and President September—one of the biggest denials of a price freeze, preferring initially to call for voluntary restraint from industry. The effect of the freeze, inserted into the plans at the last minute, will not be felt until the end of December, for which a 0.4 per cent rise is forecast after anticipated rises of 0.7 per cent. for both October and November.

September's increase brings the three-month rise to 2.8 per cent, and the Government is anxious to see these statistics taken in conjunction with the Fr.3.3bn. trading deficit in September increase the pressure on the franc. The franc, however, remained untroubled by the news today.

Ironically, the Prime Minister, M. Raymond Barre and President September—one of the biggest denials of a price freeze, preferring initially to call for voluntary restraint from industry. The effect of the freeze, inserted into the plans at the last minute, will not be felt until the end of December, for which a 0.4 per cent rise is forecast after anticipated rises of 0.7 per cent. for both October and November.

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## Gaullists blunt Dassault probe

BY DAVID CURRY

PARIS, Oct. 28

GAULLIST MEMBERS of the French National Assembly have managed to blunt an investigation into the financial affairs of the Dassault aircraft concern by insisting that the inquiry should embrace the whole aerospace sector.

The Socialist Opposition, furious at being denied an inquiry specifically into the affairs of Dassault, which has been accused of extensive tax fraud, finally voted against the proposal which was made in the National Assembly's legal commission. The Communists abstained.

The inquiry is now constituted will be conducted by 15 MPs over four months, and the findings will be kept secret—unless the National Assembly as a whole decides otherwise.

The Socialists commented acerbically today: "We fall to see how a commission with a mandate lasting only four months can conduct a serious investigation into such a wide area, labouring under the double constraint imposed by national defence and fiscal secrecy."

Meanwhile the idea of nationalisation of Dassault is gaining ground. The Defence Ministry has admitted that it has discussed the fate of Dassault with President Giscard d'Estaing. However, the Government has been careful to cast the talks in the light of a national interest in the fate of a major defence contractor, whose head is well beyond the age of normal retirement, rather than in the mould of a punitive nationalisation such as that demanded by the Socialists and Communists.

## THE VATICAN AND EASTERN EUROPE Political concession, pastoral gain

BY DOMINICK J. COYLE IN ROME

WHEN POPE PAUL last month surveyed the state of the Roman Catholic Church in the world on his 79th birthday, Vatican sources made it known publicly that he was saddened by a number of events in western countries—most notably, perhaps, the threatened schism being promoted by the traditionalist French bishop Marcel Lefebvre—but encouraged greatly by the advances which the Church was making in eastern Europe. It is obviously difficult to quantify these advances, but Vatican diplomacy is hard at work to ensure that it continues.

This diplomacy took concrete form with yesterday's news that the Vatican had agreed to the establishment of a separate Episcopal Conference for East Germany, thus extending some recognition to the German Democratic Republic, despite opposition to the move from the Catholic hierarchy in West Germany. The Vatican was careful of its decision was signalled to the Church authorities in East Germany on September 23. It was kept secret until after the West German federal elections earlier this month. The Catholic Church's official recognition of the existence of two German states might well have become an electoral issue which could only have helped the Christian Democrats.

But East Germany is not the only Soviet bloc country in which the Church is moving. The Polish Cardinal Wyszyński is in Rome for talks with the Pope and officials of the Vatican Secretariat of State at a time when it is understood negotiations are under way for a new Concordat with Poland. Meanwhile, Archbishop Luigi Poggi, one of the Vatican's senior diplomats, left earlier this month for Bucharest in a preliminary move to improve relations with the Romanian Government. These increasing contacts between the Holy See and a number of Eastern countries have their critics within the Church. In terms of Vatican

diplomacy, the contacts represent a major departure from the tough anti-Communist stand of Pope Pius XII. But between Pius and Paul there was what many (but by no means all) Vatican hands refer to as a "change of mission" to "throw open the windows of the Church and let in some light." His legacy remains, even if it is being eroded gradually by the more conservative elements now in virtual control of the Vatican hierarchy.

The conservatives insist that they are not opposed to change. But to them it must be measured change and, in so far as it touches on state in Eastern Europe, it must be change which brings with it a decided pro quo. Put crudely, the Vatican appears willing to make "political concessions" of the sort represented by the Church's effective recognition of East Germany, but it wants in exchange greater freedom for Catholics in the countries concerned. This is the sort of diplomacy at which the Vatican generally excels, even if it is often difficult to evaluate the results, since the detailed agreements involved are seldom published.

It is interesting to note that there is to be an East German Episcopal Conference as such by name, but rather a Berlin Bishops' Conference, and a formal Vatican statement emphasised that the existence of two parallel conferences did not interfere with questions not yet resolved between the two German states. It went on to express the hope that a "peaceful and satisfactory" solution to the German question could be resolved in conformity with the provisions of the Helsinki conference.

The Vatican participated directly in the Helsinki discussions, although it is probably not generally known that it was the USSR which requested that the Holy See be represented. But for the moment anyway, this has not led to improved relations between Moscow and the Vatican, although the Pope does see the Soviet Foreign Minister, Mr. Andrei Gromyko, when he visits Rome. On these occasions, the Pope repeats his concern about the treatment of religion in the USSR, but the Vatican is not anxious to get access to the Byzantine rite Catholic minority in the Soviet Union.

However, now the German package is out of the way, Vatican diplomacy is likely to concentrate on Poland and Romania, especially the former. Cardinal Wyszyński, having reached the age of 75, has submitted his letter of resignation to the Pope, in conformity with new regulations, but his acceptance has not yet been announced. Cardinal Wyszyński may be in less of a mood to compromise with Warsaw than would the Vatican.

The Cardinal has made his position clear in numerous public sermons throughout Poland, including one delivered on Gniezno Cathedral at the time Archbishop Poggi was visiting Warsaw. He wanted Christ to have his place within the Polish nation, the Church to have at least a public/legal character, its mission and its vocation to be recognised, and that it be free peacefully to evangelise the nation. Later, he was to refer to the Polish Government's insistence on the separation of

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# AMERICAN NEWS

## Democrats fear the final poll push by Republicans

BY DAVID BELL

MR. Jimmy Carter's lead in the polls now very much less than it was even a month ago, a number of leading Democrats are making little secret of their wish that the election was already over.

So close has the race now become, particularly in the 10 large states that hold the key to victory, that neither candidate has any indication on which is doing better in the campaign's final closing stages. Mr. Carter has been drawing large and enthusiastic crowds, but so has President, and Democrats fear that the Republicans' last-minute media blitz, and his newly active campaign style, may be able to snatch him a narrow victory.

In the past week, the polls have been swinging wildly. In Michigan, for instance, a week ago Mr. Carter had a 10-point lead in the Chicago Sun Times poll. Today that lead has shrunk to 1 per cent.

Michigan, where Mr. Ford reportedly comfortably leads in his home state last week, the race is now "too close to call". In Pennsylvania, rivalries are contradicting each other about who is in the lead and in California no one appears to have any real idea who is ahead.

On the other hand the Democrats can take some comfort from the very latest crop of local polls which appear to show that, at last, the traditional Democratic coalition is showing some enthusiasm for Mr. Carter and falling into place behind him. His strong base in the South also appears to be holding, despite some significant erosion in the past month.

As far as California is concerned, Mr. Ford will not have been helped by Mr. Ronald Reagan's curt refusal to campaign for him in the past few days. Without Mr. Reagan's full-hearted support, Mr. Ford may



Presidential Election

WASHINGTON, Oct. 28.

not win some of the very conservative Republicans in the South, and their absence could be critical.

In any event, as both Mr. George Gallup and Mr. Louis Harris, the two leading pollsters, said yesterday, much now depends on turnout, and it is impossible to be sure how much support there still is across the country. Both men said that turnout as low as seems probable could be a severe blow for Mr. Carter.

Pittsburgh today Mr. Carter pledged that a tax cut would be "almost inevitable" in the next four years if he is elected President. This was a clear attempt to cut some of the ground from under Mr. Ford, who for some days now has been promising a cut in taxes on "middle Americans" at almost every campaign stop. Mr. Carter is still suffering from the after-effects of the very impressive comments he made about reform in an interview last month.

Meanwhile President Ford was in Ohio, still contrasting his record with that of former President Nixon in a last-minute attempt to distance himself as far as possible from the legacy of Watergate which Republican polls show is still very much an issue in the minds of the electorate.

The deliberate mention of Mr. Nixon could backfire if it serves to remind wavering voters of the role that Mr. Ford played in his pardon, but it is part of Mr. Ford's larger attempt to counter Carter's character assault on the major issue, and that it is Mr. Ford, and not Mr. Carter, who can be "trusted".

The Republicans are still hoping that Mr. Carter's personality and the lingering suspicion of him that is still prevalent among many voters will finally tip the election in Mr. Ford's direction. The polls continue to show that the doubts about Mr. Carter are persistent among just these groups who usually vote in the greatest numbers. It is to these groups that the Ford effort has all along been directed, and it may be working. Certainly, it has the Democrats very worried.

WASHINGTON, Oct. 28.

IN A POWERFUL endorsement of nuclear power, President Ford today announced that he was calling upon the world's nations to join in a co-operative effort to prevent nuclear proliferation and expand the benefits of peaceful uses of nuclear energy.

Arriving here during his election campaign, he said that he would be issuing a comprehensive statement later in the day calling for actions designed to:

Strengthen the commitment of all nations to the goal of non-proliferation of nuclear weapons;

Change and strengthen U.S. domestic nuclear policies and industrial programmes to support the goals of non-proliferation;

Establish a stronger foundation for expanded use of nuclear energy at home and abroad.

The President also said he wanted to press ahead with construction of a new \$1.4bn. uranium enrichment plant to be built at Portsmouth, Ohio.

He said that construction of the plant would assist in providing enriched fuel for nuclear powered plants in the United States and around the world.

The President's announcement has been expected for several weeks. Following India's explosion of an atomic device in mid-1974, the U.S. has been conferring with six other nuclear exporting nations—including the U.K.—who supply nuclear equipment and materials to most of the rest of the world, to find a way to slow the spread of technologies which could be used to produce nuclear weapons.

The question of nuclear proliferation has been a minor issue in the Presidential election campaign, although the use of nuclear energy and safeguards has been a major concern in certain States, such as California.

Reuter

## Ford call to stem nuclear spread

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Reuter

## \$960m. IMF credit for Mexico halts peso slide

BY ALAN RIDING

MEXICO CITY, Oct. 28

THE MEXICAN peso rallied slightly against the dollar today after the International Monetary Fund approved a Mexican request for new credit facilities totalling more than \$960m. This drawing should help bolster the country's reserves that in recent weeks have suffered anew from mounting speculation against the peso. This morning, the Bank of Mexico set today's exchange rate at 26.05 pesos for selling dollars and 25.79 pesos for buying dollars, a 1.7 per cent. improvement on yesterday's rate but still over 50 per cent. below the rate prevailing on August 31.

There is also no evidence that yesterday's sharp downward float of the peso has succeeded in restoring confidence here.

According to banking sources, sales of dollars rose by about 30 per cent. yesterday compared with Tuesday.

With just one month left before President Luis Echeverria leaves office, the generalised mood of political uncertainty has also affected the economy, with the private sector now worried that the new devaluation will bring further wage increases and push the country further into an inflationary spiral.

Following the first devaluation last month, the Government "recommended" a 23 per cent. across-the-board wage increase and approved price rises of between 10 and 20 per cent. Even before yesterday's new peso collapse, however, inflation this year was expected to exceed 35 per cent.

Business and labour groups today called for a wage and price freeze respectively, but the Government lacks the mechanism to apply such a blanket decree and, in practice, Senor Echeverria is probably unwilling to further damage his prestige by holding down wages.

Fearing a confrontation with Senor Echeverria, President-elect Jose Lopez Portillo has said and done nothing to help restore confidence before he assumes office on December 1.

For the moment, though, further.

foreign bankers seem willing to continue funding Mexico's short-term needs as well as long-term credit needs. With the country's foreign debt now exceeding \$23bn., a further \$800m. Euro-dollar loan is being organised in London and should be signed before the end of November.

The IMF, which had previously agreed informally to make available \$1.2bn. in credit, met yesterday to approve the latest peso devaluation and grant Mexico complementary financing facilities worth \$150m. in special drawing rights, \$134.125m. worth of regular credit facilities in SDRs and \$518m. worth of extended fund facilities.

It is felt that in addition to the sluggish growth in money supply the Fed may be influenced by the worrying "pause" in the growth of the U.S. economy in recent months.

Some money market analysts have suggested that banks may be inclined to ease prime rates a little in the hope of stimulating loan demand, although such a move would not come until there are good indications of success in adopting such a policy. There have been in recent weeks some modest signs of loan demand hardening.

As money market rates have eased the commercial banks have come under pressure to pass on lower interest costs to their customers, and there have been widespread reports of banks reducing costs to their customers by lowering the compensating balance requirements—the agreements which require a customer to keep some of his loans on deposit with the bank.

The pressure on the banks to make these adjustments in part reflects the historically high margins now existing between the cost of money to the banks and their lending charges—margins which have been influenced by the banks' need to maintain their profits after the heavy loan losses of the past 18 months.

The last cut in prime rates was set in train by Morgan Guaranty Trust on September 20, when it fell from 7 per cent. to 6½ per cent. Even that move took two weeks to spread across the banking industry, with Continental Illinois one of the first to follow.

Since then, money market interest rates have fallen further, on average around 1 of a percentage point, and there have been clear indications that the Federal Reserve has eased monetary policy by lowering its Fed funds target interest rate from 8½ per cent. to 8 per cent., and there has been speculation (so far unconfirmed by clear Fed action) that it might ease further.

Further.

## U.S. trade deficit swells

BY DAVID BELL

WASHINGTON, Oct. 28.

THE UNITED STATES trade deficit last month was the second highest in more than two years, the Commerce Department reported today, blaming increased imports of iron and steel cars and rubber, which more than offset a slight fall in oil imports.

The Department said that the nation's deficit was \$778.9m. less than the \$827.1m. reported in August but still higher than for any other month since August, 1974. September was the third consecutive month in which the U.S. has registered a large deficit and total imports last month — at \$10.6bn. — were the second highest figure ever recorded. Total exports for the month were \$9.8bn.

So far this year the U.S. has had only one trade surplus, and that was caused by a temporary decline in oil imports, but this is not causing very much alarm within the Administration. Economists stressed again today that the size of the deficit is only one more reflection of the fact that the U.S. economy has recovered faster and sooner than other economies and they can only expect the deficit to fall as other economies improve.

However, the continuing improvement in the world food supply situation at the moment suggests that the level of U.S. food exports — which in the past few years have contributed very significantly to the overall U.S. export totals — is going to be down in the next year at least. Last month the U.S. also imported unusually large amounts of sugar (imports rose by \$98m.), while iron and steel imports also jumped some \$58m. and imports of foreign cars were up \$34.1m.

## Prime rate cut may start move to lower charges

BY STEWART FLEMING

NEW YORK, Oct. 28.

CONTINENTAL ILLINOIS, the eighth largest U.S. commercial bank has set in motion what could be a move to lower bank interest charges by this morning cutting its prime rate from 6½ per cent. to 6½ per cent.

The bank, which does not have a formula for prime rate decisions such as Citibank, has not in the past year been a leader of prime rate movements.

Some New York bankers were this morning uncertain as to the impact on banks generally of the move, with one bank economist saying that it may have a 50/50 chance of being followed by the other big money centre banks.

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Further.

## McCarthy off NY ballot

BY OUR OWN CORRESPONDENT

WASHINGTON, Oct. 28.

R. EUGENE McCarthy is off the presidential ballot in the state of New York, having been restored to it only yesterday.

The state supreme court ruled the verdict of the state appellate court and decided that there were irregularities in the nominating process lodged by Mr. McCarthy in support of his dependent candidacy.

Mr. McCarthy, the anti-war moderate candidate of 1968, could draw support away from Mr. Jimmy Carter in the big states, will probably appeal against the state court's ruling in the federal court. However, a serious problem now exists, only five

days before the election, as to whether all the ballot papers and voting machines could be altered in time and be ready for Tuesday's voting.

There is now doubt that Mr. McCarthy's absence would remove a nagging worry to Mr. Carter in New York. The latest Daily News straw poll, out this morning, gives Mr. Carter a slight point lead over the President with Mr. McCarthy setting two percentage points.

But this lead is down from the nine points of the first News straw poll last week-end and the elimination of Mr. McCarthy (whose support would otherwise go, if it goes at all) by a ratio of two to one to Mr. Carter would provide a certain cushion.

## Allegations proved that South Korea corrupted U.S. politicians

BY JUREK MARTIN

WASHINGTON, Oct. 28.

RE are signs that the alleged corruption of American politicians by South Korean agents in Washington, working at the apparent direction of President Park Chung Hee, may turn to be the next big scandal in the history of the United States.

President Park has been involved in this scandal since the Federal investigation.

The New York Times today revealed the current investigation into the matter as "sweeping" and suggested that as many as 100 Congressmen may have been involved but this is being kept secret from South Korean sources.

Four Democrats and one Republican have been identified as having accepted cash from the said to be the principal Korean agent, a Washington-based businessman called Tong Sun (known here as Sun Park). Mr. Park, it has been said, has somewhat seriously left the U.S.

Mr. Park has extensive connections in Washington political circles as have other members of the South Korean community.

He owns the land and buildings that house a fashionable supper club here which has free memberships to President, Vice President, and members of the Supreme Court. He has, for example, entertained President Nixon on a number of occasions and was in fact the subject of an annual White House investigation last year when it was disclosed that Mrs. Betty Ford had social secretary had two free trips to Seoul, evidence of improper behaviour was, however, unobtainable.

Mr. Park is also believed to be closely connected with Suzy Thomson, a well known Washington socialite of South Korean extraction, who has served as an aide to the outgoing Speaker of the House, Mr. Carl Albert. Miss Thomson, it has been reported, testified before a grand jury recently having received immunity from prosecution.

The Federal probe has also included an attempt by the Justice Department to subpoena the banking records of South Koreans living here. Although such records were thought to be protected by diplomatic immunity, the Department believed that a recent Supreme Court ruling that such records belonged to the banks which held them rather than the customers provided an opening.

In the event the Washington Post disclosed today that the subpoenas had been dropped after the South Korean Embassy had agreed to make the records available on a voluntary basis.

In another aspect of the scandal, Senator William Proxmire, the Wisconsin Democrat, released details of two U.S. army investigations which concluded that the South Korean Government had connived at the practice of collusive bidding by South Korean contractors serving American military installations in the South East Asian country. The reports said that this was costing the American Government \$20m. a year more than it needed to pay.

The New York Times has been provided with additional documents which suggest that collusive bidding is a euphemism for major bribery, rigged bidding, intimidation and actual physical assaults.

It seems unlikely that the investigations will come to the point that formal charges are brought before next Tuesday's election, which clearly might have embarrassed a number of politicians currently running for re-election.

However, real problems could loom after the elections that extend beyond the domestic political context. Mr. Jimmy Carter, for example, has been maintaining that he would reduce American troop strength in South Korea while President Ford has been countering with the charge that such action would materially weaken the defences of the Asian region.

If Mr. Carter wins, he may feel inclined to press his point with a vengeance, though the possible implication of a good number of Congressmen in the affair could complicate matters. By the same token, Mr. Ford may find it harder to justify current American military presence in South Korea if there is public revulsion to whatever charges emerge. Should it transpire that South Korean corruption had extended to the executive as well as to the legislature, then the cat's cradle would be infinitely more difficult to disentangle.

But, perhaps significantly, he did confirm yesterday that he had ordered an inquiry into the activities in the U.S. of Sayak, the Iranian secret service, following remarks by the Shah of Iran in an American week-end TV programme that Sayak was keeping an eye on Iranian students in the U.S. If the State Department is ready to look at Sayak, then logically it could hardly turn a blind eye to the Korean CIA, said to be an integral part of the alleged corruption here.

Both President Ford and Mr. Jimmy Carter, his Democratic opponent, appear to be agreed on the need for a firm reaction to what both Democrats and Republicans see as a clear increase in Soviet strength in Europe in the past few years. A Carter administration could be expected to watch Warsaw Pact force levels extremely closely.

## U.S. to increase air power in Europe

DAVID BELL

WASHINGTON, Oct. 28.

AMERICAN decision to increase U.S. aircraft strength in Britain and Germany, which was announced last night, is intended to be a direct counter to Soviet strength in Europe.

The Pentagon sees as growing Soviet strength in Europe represents the first significant addition to United States power in the area for nine years.

analysts, this will still leave the combined NATO forces with roughly half the 5,000 aircraft which the United States estimates are at the disposal of Warsaw Pact countries.

A Foreign Ministry spokesman emphasised that the decision to deploy the new weapons has nothing to do with the current Presidential election and has been under consideration for some months.

## Guatemala aids Belize talks

ATEMALA CITY, Oct. 28.

CLALS from the British of Belize and from Guatemala, which claims the territory, today wound up their ever bilateral meeting.

A Foreign Ministry said the day meeting, held privately in northern Honduras City in Pedro Sula, covered given questions but no details.

Guatemala and Belize have been holding tripartite at official and ministerial this year in an effort to solve the problem. Belize has internal self-government since 1964.

## Argentina strikers warned

BY ROBERT LINDLEY

BUENOS AIRES, Oct. 28.

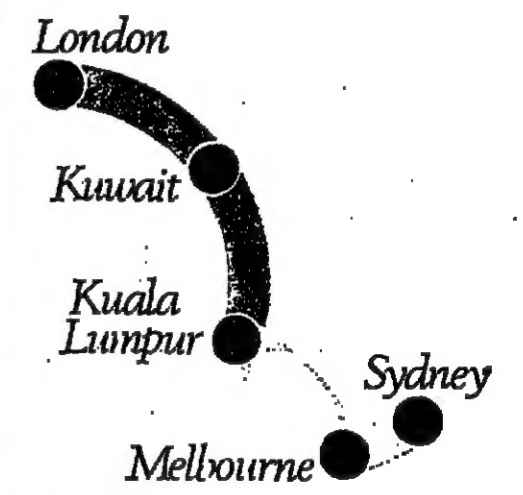
FACED BY a spreading strike of light and power workers in greater Buenos Aires, the Government has threatened to mobilise all members of the union and to send troops to guard power installations.

Moreover, the regime says that any "activist, instigator, saboteur or intimidator" will be arrested. For the second day running now, half-one of the two power companies which supply greater Buenos Aires with electricity—is operating with a work force of only about 20 per cent. of normal, and some of the western neighbourhoods of the city are practically blacked out.

The other power company, Segba yesterday was producing only 937 megawatts of its total of 2,320-megawatt installed capacity.

Ten bullet-ridden bodies were found this morning in a wood near La Plata 35 miles east of Buenos Aires.

The bodies have not yet been identified, but it is believed that they were murdered in reprisal for the killing last night of two policemen guarding the house of the rector of La Plata University. The policemen were gunned down by terrorists as they drove in a pick-up truck.



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## OVERSEAS NEWS

## Israel warns on guerilla bases

BY L. DANIEL

ISRAEL WILL not permit a return to the status quo ante in southern Lebanon, in which Palestinian guerillas were free to set up bases near the Israeli border, official circles here warned this morning. They pointed out that this had been stressed in the past by Foreign Minister Yigal Allon and, more recently, by Defence Minister Shimon Peres yesterday. Its repetition today is significant in the light of reports that Palestinian guerillas are making their way from other parts of Lebanon to the South, which they can do only with the assistance or permission of the Syrian forces.

Such assistance or permission may be the price which Egypt, which has lately appeared as the protector of the Palestinian Liberation Organisation, demanded from

Syria as part of the rapprochement between the two countries, which well-informed sources here believe preceded the Riyadh and Cairo conferences on the Lebanon. They consider the conference could not have taken place if some measure of understanding had not been reached beforehand between Presidents Sadat and Assad.

This apparent re-forging of the Cairo-Damascus axis, which may eventually extend southwards to Amman, has given rise to serious misgivings in Jerusalem, though official circles are as yet unwilling to voice conclusions either regarding the overall situation in the Lebanon or the appointment of General Abdul Gamassy as the joint Egyptian-Syrian Chief of Staff. In fact there are currently two views in Jerusalem: one regards with

serious concern the statements made at the Cairo summit conference, including statements by leaders of countries hitherto considered "moderate". These pronouncements, they point out, indicated that the sharp divergences of opinion between Syria and Egypt are being patched up under the banner of the joint enmity towards Israel.

Supporters of the second school of thought here query whether these statements go beyond demagoguery and efforts by one or the other country to appear as the leader of a united Arab world bent on military action against Israel. This school also holds that the events in the Lebanon so far—despite the presence of Libyan, Iraqi and PLO forces in the south—indicate clearly the likely trend of events in the Lebanon. They also point

out that the resolutions at the Riyadh conference have not yet been implemented, indicating under-the-surface divisions within the Arab camp. Not only have no major contingents of the proposed inter-Arab peace-keeping force arrived in the Lebanon as yet but there are also no signs so far of Syrian forces withdrawing from any of their positions. But whatever interpretation is put on the confusing events of the past few days, Israel's attitude towards what is happening in Southern Lebanon and the possible emergence of a united Arab command, was summed up this morning by an official who said: "Israel will not pay the price for inter-Arab unity by permitting the quiet, which has characterised the borders, to be shattered once more by guerilla action."

JERUSALEM, Oct. 28.

## Schaufele to attend Rhodesia conference

By David Bell

WASHINGTON, Oct. 27. DR. HENRY KISSINGER, who is still anxious to keep the Rhodesia talks from becoming in any way an election issue, disclosed last night that he will send Mr. William Schaufele, Assistant Secretary for African Affairs, to Geneva but not until after next Tuesday's election.

Speaking at Hartford, Connecticut, Dr. Kissinger reiterated that he would go to Geneva himself "if the Geneva negotiations were to start". But he stood by an earlier statement that it would be "highly inappropriate" for him to go at the moment. The United States, he added, will do what we are asked by the parties.

At present, the U.S. is represented in Geneva by Mr. Frank Wisner, the head of the State Department's Southern Africa section, and the decision to send Mr. Schaufele is clearly intended to be a sign that the United States is prepared to get more closely involved in the negotiations as they continue.

The Secretary of State has good reasons, however, for wanting to keep the talks out of the full glare of the election. If President Ford wins, the American attitude to the talks will probably be unchanged, but if he loses, the State Department will have very quickly to adjust to whatever different ideas the Democrats may have.

Mr. Jimmy Carter's foreign policy transition team, which has itself been keeping well out of the limelight, contains a number of African experts who have been following progress in Geneva closely. They are less optimistic in private than Dr. Kissinger has been in public about the eventual success of the talks, although it seems certain that they will want them to continue and will wish them well.

If Mr. Carter does win the election, this will inevitably cast some doubt at the Geneva talks about U.S. attitudes at least for a few weeks and it can be expected that the outgoing and the incoming Administrations would work hard to minimise this problem.

Under the Arab summit resolutions, the Arab forces are to leave the direct and personal orders of Mr. Sarkis. The Palestinian military commander, Col. Saad Sayeh, was quoted in the Press here today as saying that two thirds of the Palestinian forces in the Lebanon mountains have now been transferred to southern Lebanon.

SIDON, Oct. 28.

## Palestinians pull out of battlefronts in Lebanon

## Egypt holds assembly elections

By Michael Tingay

CAIRO, Oct. 28. EGYPTIANS went to the polls today to elect 346 members to the People's Assembly from 173 constituencies. There was no election in two constituencies, in Sinai and one in Upper Egypt where one candidate died.

Voting in what had the appearance of being a free election was thin in Cairo early in the day though the compulsory turnout never functions fully in the big cities. Cairo and Alexandria, because voters are confident that the EEC will not vote for them, were not imposed.

More than 1,500 candidates, half from the three newly established political organisations of the Centre, Left and Right and more than 100 independent candidates, are standing. Important will be the collective showing of the right, left and independents who between them will represent the parliamentary opposition.

Strangely there have been no complaints about the effective disenfranchisement of more than 300,000 people in the armed forces out of a total electorate of between 8 and 10m.

Members of the police and judiciary have never voted but following the election, Mr. Hosni Mubarak said that he had earlier this year of two soldiers who enrolled in one of the political organisations, voting by members of the armed forces was made "voluntary", effectively disenfranchising them. Egyptian women, who did not vote in 1965, have always voted on a voluntary basis.

The Arab-backed ceasefire went into its second week today, still generally holding in most of Lebanon. But radio stations on both sides reported that sporadic shelling and shooting in Beirut and its suburbs increased last night.

Truckloads of commando troops passed at dawn through this port city, 25 miles south of Beirut.

They came from the mountain areas behind Sidon where the Palestinians were fighting bitter battles with the Syrian army just two weeks ago.

Withdrawal of Palestinian forces from the mountain passes to refugee camps, and the southern border region is one clause in the Arab-backed peace plan which has virtually stopped the war in most of Lebanon.

Co-operation between the Syrians and the Palestinians began in the past few days for the first time in nine months. The Syrians have reopened the main trade route in the eastern Lebanon, allowing the Palestinians to reinforce isolated bases in the area the Israelis call "Fatahland."

Travellers from the south reported today the commando reinforcements were heading for Beirut. A town 10 miles north of the Israeli frontier.

Left-hand gap in a cordon of territory along the border controlled by Lebanese right-wingers, who are now strengthened by arms and equipment from Israel.

He also said that he could not tell personally how concrete European demands for export restraint were from press reports on the current mission to Europe by the Keldaren (Japan's equivalent of the CBI). It would be necessary to hear first hand from the Japanese before the mission before the seriousness of the situation could be assessed.

While the Japanese wait to hear what the EEC is expecting of them the finance ministry is continuing to claim that the visible trade surplus is being brought under control by a combination of rising imports and a hoped-for falling off of the export boom. Figures quoted by the Ministry today show that the Japanese trade surplus in the quarter of 1976 was 14.6 per cent. up on the second quarter, whereas the rise in the second quarter itself was only 2 per cent.

Officials are quick to suggest that this percentage increase means that Japanese industry has now recovered enough to start replenishing its stocks of raw materials but the actual facts appear to be somewhat

different. The index for Japanese industries raw materials stocks stood at 148 in August, against a 1970 base level of 100. By contrast the real growth rate of the Japanese economy since 1970 works out at less than 30 per cent. indicating that the rate of raw materials stocks to GNP is still much higher than it was five years ago.

Japanese industry does not in fact appear to have been sucking in large amounts of raw materials between July and October but there is evidence that the country has started to stockpile oil, presumably in preparation for the anticipated OPEC price rise. Other factors in the rising value of imports include higher prices for food and other consumer goods.

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HONG KONG AND THE MAINLAND

It pays China not to rock the boat

BY DAVID HOUSEGO

WHEN CHAIRMAN Mao died, the Hong Kong share index dropped 20 points. The Bank of China building in central Hong Kong was swarmed by wreaths placed by both Chinese and foreigners paying tribute. After the official commemoration of Hua Kuofeng as the new party leader, some 1,000 Chinese gathered at a Communist-controlled cinema for what was the main rally to commemorate Chairman Mao's death.

These were about the only ripples felt in Hong Kong, of the major changes that have taken place in China, in sharp contrast to the months of agitation in the colony in 1967 when the Cultural Revolution left over 50 dead. Hua's victory over the radicals is obviously a major reason why Hong Kong has been so quiet. But even if Chairman Mao had come out on top in the power struggle, there almost certainly would not have been disturbances such as those in 1967. The important lesson of these riots was that both the Communists themselves and the British had overestimated Communist strength. Most of Hong Kong's population of 4.5m. are refugees who have fled across the border because they dislike

Communist rule. The Communists have been losing their grip over the land in recent years because of the sharp drop in the numbers of children enrolled in Communist schools where English is not taught. A rough pointer to their power is that compared with the 50m. or 6 per cent of the population of China who are said to have urban backgrounds, Hong Kong is the corresponding proportion in Hong Kong was about 0.02 per cent.

The party has a strong foothold among key groups of workers such as those in the dockyard, the railways, or the houses on the Kowloon side of the colony. But demonstrations are unpopular because of the loss of day and the disruption to the public services.

It is made up of \$250m. in remittances from Chinese workers in Hong Kong; \$30-\$35m. from speculation on the Hong Kong stock market. Their properties include the off-shore facilities in the New Territories, the massive Metropole complex

controlled banks, insurance companies, department stores, petrol stations, and real estate; and \$200m.-\$300m. from the utilisation of bank deposits not being re-loaned in Hong Kong.

Peking controls 13 commercial banks in Hong Kong. By ensuring that interest rates on deposits are kept just above those of other commercial banks, Peking has attracted about 20 per cent. of private deposits in the colony.

Both the distribution of Chinese goods in Hong Kong and many of the investments are managed by a wealthy community of several hundred businessmen. Being nominally independent, they also paper publisher, Mr. Henry Luk, the advantage of being able to act as intermediaries for Chinese trade with nations like Indonesia where direct contacts are difficult. The most prominent Chinese businessman is Mr. Henry Luk, a member of the Hong Kong Chinese Chamber of Commerce.

China's commercial activity in the colony results in odd situations. Thus China is buying land which it officially claims is part of the New Territories. The Chamber of Commerce has been as active as any capitalist lobby against investigations currently being carried out by the anti-corruption commission into "communist" paid by businessmen.

The Chamber says that the abolition of such practices would weaken Hong Kong's position as a free port. But the anti-corruption commission is now most active in directing their propaganda to university students. Those who have been on the mainland every Chinese who visit their university campus. Hong Kong's economic stance to China is likely to be its position as a base for watchers could be overhauled. More news is coming from the mainland. The local television was recently allowed to report in Cantonese the live broadcasts of the pro-railways, which suggests that a new regime may be more generally the first port of call for travellers leaving the island. It is thus a gathering point for both Chinese and foreign travellers leaving the island. It is thus a gathering point for both Chinese and foreign travellers leaving the island.

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HOME NEWS

# Mortgage curb forecast by Woolwich chairman

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

A FORECAST that building society lending next year was likely to fall came yesterday from Sir Oliver Chesterton, chairman of the Woolwich Building Society.

In suggesting that societies would be doing "extremely well" to repeat this year's lending figure of £8bn, Sir Oliver was saying in public what most building society executives have privately been thinking for some weeks.

The Building Societies' Association says it hopes this year's figure can be repeated and even improved on during 1977, but few individual societies now believe this to be possible given the general interest rate situation.

The societies' own higher interest rates come into effect next week. Although it is hoped they will increase the inflow of funds, they are not expected to prove attractive enough to enable a continuation of the current monthly lending programme, running at more than £500m.

It should become clear within the next few weeks just how well placed societies will be. The chances of higher interest rates cannot be ruled out, although there is a substantial body of opinion which believes that, with the mortgage rate of 12.25 per cent, a cut-back in lending would seem more likely.

Some society executives believe that the ceiling for mort-

gage rate has virtually been reached and that to go further could cause serious financial problems for many thousands of existing borrowers. A drop in lending, to between £4.5bn and £5bn, may now have to be considered as the only alternative.

In making his forecast yesterday, Sir Oliver said he did not expect any reduction in the lending programme for 1977 to have a significant impact on the housing market, largely because the lower volume of mortgage funds could well coincide with a period of reduced demand.

Although there have not so far been any signs of a decline in mortgage demand as a result of the higher interest rates, a reduction in the number of people seeking loans would certainly make it easier for the

societies to contemplate a smaller lending programme.

The problem is that a decision to raise rates or cut lending will most likely have to be taken before the actual demand pattern for 1977 becomes clear.

Sir Oliver said that last year, the Woolwich—Britain's fifth largest society—lent £318m, against £292m in the previous 12 months. Inflation, however, meant that the actual number of house buyers involved fell from 28,000 to 27,000. The society's assets grew last year by 18 per cent, to £1.8bn.

Next week, the Woolwich is to introduce a new issue of its two-year term share which will pay a 1 per cent premium over the ordinary share rate, yielding 8.8 per cent net on the current interest rate structure.

## More South-east offices

BY QUENTIN GUIRDHAM, PROPERTY CORRESPONDENT

A MARKED increase in development permits granted for offices in the South East is shown in the figures, released yesterday, for the year ended last March. The gross floor area covered by permits was 16.45m, against 11.4m for the 1974-75 period. There were 319 separate permits, against 241.

The increase is in part explained by a rise in development plans from the very low level of 1974, but also by a more tolerant attitude in the Department of the Environment. During the period the stated policy was to apply strictly to the Office Development Permit control system, to insist on applications for offices for their own use showing that a move outside London and the South East was not practicable. There would be plans from the very low level of 1974, but also by a more tolerant attitude in the Department of the Environment.

# More houses built in September than for 6 months

BY MICHAEL CASSELL, BUILDING CORRESPONDENT

THE NUMBER of homes completed during September reached the highest monthly total for six months, but the start rate on new houses remained disappointing.

It now looks as though the combined total of houses on which work will begin in the private and public sectors during 1976 will reach between 320,000 and 340,000, against 324,000 in 1975. The builders do not expect next year to show progress, and some projections put the annual start figure as low as 285,000.

Not only is the industry worried about the repercussions of public expenditure cuts on council housing activity, but it remains concerned about the prospects for mortgage finance during 1977. Any shortage of home loans could further restrict the private housing market, and builders could therefore face a downturn in output in both sectors.

As far as the outlook for completions is concerned, the 1976 total for the two sectors taken together should reach between 310,000 and 320,000, against 312,000 in 1975. Next year completions should be at about the same level.

According to the latest provisional figures from the Department of the Environ-

ment, the total number of homes on which work began during the third quarter of this year fell by 1 per cent, compared with the preceding three months, although the rate of new building was 1 per cent up on the July-September period last year.

The number of homes completed in the latest quarterly period was estimated by the Department to have fallen by 2 per cent from the previous three months, and was 1 per cent down on last year's poor levels.

In the private housing sector a start was made on 13,500 homes during September itself, a significant increase of 2,400 over August. The total, however, only restored the level of output to the rate achieved earlier in the year.

Council housing starts last month fell back again, this time from 14,200 to 14,000, a fall of 2,500 from the level of June and July.

Completions last month rose substantially in both the private and public sectors, according to the Department. A total of 14,500 council homes were made ready for occupation in September, against only 11,700 the previous month. A further 14,000 new private homes came on to the market, compared with 11,600 in August.

# Shell puts 3½p more on petrol

By Ray Daffer, Energy Correspondent

SHELL HAS set the tone of petrol prices, raising wholesale tariffs by 3½p per gallon from today. The increase will push pump prices well past the 80p per gallon mark, assuming the industry does not engage in more intensive price-cutting competition.

The 3½p increase should work itself through as a 4p to 4½p rise at the pump, once value-added tax and dealer margin adjustments are taken into consideration. It will take the standard price of Shell's four star petrol to between 80p and 83½p per gallon, depending on the location.

The increase is in line with that announced earlier this week by Continental Oil. It is known, however, that a number of companies have been waiting for a move by Shell or Esso—two of the industry's major suppliers—before deciding on the scale of their own increases.

Although petrol sales are about 5 per cent higher than a year ago, the market is still intensely competitive. Authorities price increases earlier this year were followed by a spate of cut price offers, many of which were accepted by the Price Commission.

Oil companies maintain that even the latest increases, which follow the fall in the value of sterling against the dollar, do not cover all the additional costs. It is likely that a further rise could be sought in a few months.

# Too early to judge National Theatre—Arts Council chief

BY MICHAEL THOMPSON-NOEL

IT WAS still too early to discuss next year's funding of the National Theatre and its newly opened theatre complex on London's South Bank, Mr Roy Shaw, secretary general of the Arts Council, said yesterday.

The National has estimated that it will need £3m.

"It is too early to judge the National Theatre's work, operations and costs," said Mr Shaw, "but we are keeping a close eye on it."

He was speaking after the publication of the council's report and accounts for 1975-76, which show that last year the National received a total of £1.9m, out of the £5.1m made available to the national arts companies in England.

The Royal Opera and Royal Ballet companies, Covent Garden, received £3.4m; the English National Opera Company £1.4m, and the Royal Shakespeare Company £915,000.

total grant of £28.9m from the Arts Council provided £2.3m for the Scottish and Welsh Arts Councils respectively. Its general operating costs accounted for less than 5 per cent of the English budget and a proportion than in the past year.

In England, it considered specific applications from organisations and individuals for aid and made funds available to 2,150.

Lord Gibson said, "I am glad that the National Theatre has been able to open its new theatre complex on the South Bank. It is a very important event in the history of the arts in London."

He also praised the work of the National Theatre's management and its financial discipline.

Lord Gibson said that the Arts Council was not yet in a position to make a final judgement on the National Theatre's work.

He said that the council would continue to monitor the National's work and its financial performance.

He also said that the council would continue to support the National's work and its financial discipline.

## Inflation

In an introduction to the report, Lord Gibson, chairman of the Arts Council, says that over the last three years the council's resources had hardly grown in real terms.

"Our problem, therefore, has been to maintain intact what was successfully created before runaway inflation took hold, but to do so without denying all response to new ideas and initiatives."

Lord Gibson, who is chairman of the Financial Times, said that there were two main elements in the council's policy.

One is to use our resources to help maintain and improve the practice of the traditional arts, and to make them not only more accessible to, but more approachable by, an increasing number of people.

The other is to support artists working in experimental forms, and to give encouragement to ways of involving new audiences in artistic experience."

The report shows that of

viewed the performance of the organisations it funded, the annual review of the work was at present under way. Lord Gibson declined to say the outcome of the review.

The report shows that the Arts Council received £28.9m from the Arts Council (England) and £2.3m from the Scottish and Welsh Arts Councils respectively.

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# Fidelity reinsurers want costs agreement

BY ERIC SHORT

THE FIVE reinsurance companies which are creditors of Fidelity Life Assurance are withholding their consent to the dismissal of the petition to wind up the company until agreement has been reached on the payment of their costs.

This objection was disclosed at yesterday's High Court hearing of the winding-up petition, which was brought by the Secretary for Trade in July 1975.

The reinsurers have claims against Fidelity Life totalling £465,000 for arrears of premium and commission. Under the proposed rescue scheme for the company, the reinsurers have been offered 70 per cent of the amount by Fidelity Corporation, the parent of Fidelity Life, payable in two instalments of 35 per cent each on December 31, 1981, and December 31, 1982. The reinsurers have accepted that offer.

The only outstanding question, the Court was told, was the payment of costs. The reinsurers maintain that the usual position would be that the costs in preparing and negotiating the agreement would be paid by Fidelity Corporation.

The Corporation accepted this

in principle, but said it was not prepared to say how and when it would make the payments. The Court was told, it was expected that the question of costs would be resolved soon.

The Court was told that the scheme of rescue had been agreed between the Policyholders' Protection Board and Fidelity Corporation. But it could not become effective until there was agreement between the reinsurers and the Corporation.

Meanwhile, the Court agreed to hear an application by the Corporation under Section 50 of the Insurance Companies Act, 1962, which would give the Corporation power to reduce the amount of the costs of Fidelity Life. Another application was made asking the Judge to dispense with the requirement of the agreement with policyholders' meeting approve the rescue scheme.

Assuming that scheme was sanctioned, and the winding petition dismissed, the data which the management of Fidelity Life would be handed over to Norwich Union has provisionally fixed for December 31.

# Sterling crisis 'has European dimensions'

BY KEVIN DONE, INDUSTRIAL STAFF

THE STERLING crisis is not purely a British issue, but a crisis of European dimensions, M. Henri Simonet, vice-president of the European Commission, said in London yesterday.

If Britain was brought to the verge of bankruptcy causing political and social collapse, it would be a major crisis for Europe. No one could wish that international monetary institutions would impose a burden on Britain which she could not sustain, he said.

"I don't think that a stern deflationary policy would help in any way to cure Britain's economic problems. In erratic exchange markets, Europeans must help in every way they can, by not imposing conditions that the Government cannot deliver."

M. Simonet, who was in Britain to visit part of the British Steel Corporation's £200m development at Redcar, South Teesside, said he was struck by the total disconnection between the economic reality in Britain and the erratic exchange markets.

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## Expenditure

If the Government could show that it was able to control public expenditure and maintain the support of the trade unions, the economic basis existed to allow Britain to become a major industrial power again.

M. Simonet, the commissioner in charge of steel, has been meeting both sides of the industry and users to develop his blue-print for a more powerful and interventionist governing body. The plan envisages closer monitoring of investments, production agreements with individual companies, and indicative minimum prices to avoid cyclical crises in the industry.

Representatives of the EEC Group on Steel, the unions and the

## Nurses 'should be able to prescribe Pill'

NURSES, midwives, health visitors and chemists should be able to prescribe the contraceptive pill, a report says.

The report, which was produced by the joint working group of the Royal College of Nurses and the Royal Society of Medicine, says that nurses and chemists should be able to prescribe the pill, and that health visitors should be able to advise on its use.

The report also says that the Government should consider the possibility of allowing nurses and chemists to prescribe the pill, and that health visitors should be able to advise on its use.


# 5 GOLDS

Institute of British Carriage and Automobile Manufacturers 1976 Motor Show  
Coachwork Competition Gold Medal Awards:  
Section 1: Daimler Double Six Vanden Plas Saloon.  
Section 3: Morris Marina 1.3 4-door Saloon.  
Section 7: Jaguar XJ4.2 4-door Saloon.  
Section 8: Triumph TR7 Sports. Section 9: Triumph Stag Sports.

# 5 SILVERS

Institute of British Carriage and Automobile Manufacturers 1976 Motor Show  
Coachwork Competition Silver Medal Awards:  
Section 3: Austin Allegro 1100 Saloon.  
Section 5: Morris Marina 4-door Special Saloon.  
Section 7: Rover 3500 (joint award).  
Section 8: MGB Sports. Section 10: Austin Allegro 1500 Estate.

This is no time for false modesty.

 **Leyland Cars**  
The one car manufacturer we all have an interest in.

## HOME NEWS

DR. WALLERSTEINER 'GRAVELY MISMANAGED' HARTLEY BAIRD

# Chairman 'mesmerised' Board

BY TERRY WILKINSON, CITY STAFF

THE AFFAIRS of Hartley Baird were "gravely mismanaged" by Dr. Kurt Wallerstein, while he was chairman of the engineering company, and he "failed to act in the best interests of shareholders as a whole," Department of Trade inspectors say in their second report on Hartley Baird published yesterday.

Dr. Wallerstein was "guilty of breaches of his fiduciary duty and his duty of skill and care as a director of the company, and both in circulars and at annual general meetings of the company was also in breach of his duty to give proper and adequate information to shareholders."

His co-directors were "negligent and failed to exercise due skill and care in the performance of their duties." By "allowing themselves in the main to be 'mesmerised' by Dr. Wallerstein's dominant personality," they constantly accepted his assurances that his schemes and projects would prosper, and "fully ignored the overwhelming evidence to the contrary in going along with these schemes."

### Circular cheque

The inspectors—Mr. John Hazan, QC, Mr. Thomas Harding, a chartered accountant, and Mr. Alistair Troup, a barrister—published their first report on Hartley Baird in February. That was concerned with Section 172 of the Companies Act, 1948, which deals with control of companies.

In it they concluded that Dr. Wallerstein acquired the majority shareholding in HB in 1962 without paying the full purchase price and without making substantial payment.

It was done by means of a circular cheque transaction which took place in September that year. The controlling interest in Hartley Baird, formerly owned by Camp Bird, was transferred to the Rothschild Trust, a Lichtenstein company which, according to Dr. Wallerstein's last annual report, is now thought to have been representing Dr. Wallerstein and his mother. In return Rothschild Trust was to pay off Camp Bird's debts to Hartley Baird.

### Irresponsible

The inspectors are critical of the HB Board over its investment in Anglo-Canadian Cement, a Nigerian-registered company promoted by Dr. Wallerstein for manufacture and distribution of cement in West Africa, which they describe as "the most disastrous operation undertaken by HB during the chairmanship of Dr. Wallerstein."

They say the Board acted irresponsibly in guaranteeing payment by Anglo-Canadian to a supplier of 172,000 for purchase of machinery without inquiring into the Nigerian company's financial standing and before HB had acquired any interest in it. The inspectors consider that the purchase of a 51 per cent.

stake in Anglo-Canadian was unduly expedited in order to pay off Dr. Wallerstein's overdraft secured by the loan Bank, having secured this holding the Board failed to maintain proper control over the activities of Dr. Wallerstein, its chairman, and in consequence the HB directors failed to act in the best interests of shareholders. This led to a loss of £246,000 of the company's money in relation to Anglo-Canadian which went into liquidation in 1969.

As a result the inspectors conclude that "the directors of HB were negligent and failed to exercise due skill and care in the performance of their duties as directors. In consequence, the assets of the company were whittled away over the years."

Turning again to Dr. Wallerstein, the inspectors say that while he was chairman of HB the interests of the minority shareholders were totally disregarded. Dr. Wallerstein "treated HB as his personal property, with scant regard for his co-owners."

"The fact that Dr. Wallerstein was indifferent to HB's trading results and was clearly interested in the company only as a source of funds made it impossible for the minority shareholders to receive a fair treatment."

Hartley Baird Ltd. Investigation under section 164 of the Companies Act 1948. Report by J. R. B. Hazan, T. G. Harding, A. M. Troup. S.O., £2.25.

## Moves on Clyde debts

By Ray Perman, Scottish Correspondent

CREDITORS of Upper Clyde Shipbuilders, which went into liquidation five years ago, agreed yesterday to appoint a representative of foreign companies still owed money to the committee of inspection.

At a meeting in Glasgow Mrs. Valerie Chinnery, consultant in Britain to Strømmen Staal, a Norwegian steel company which supplied components to UCL, said that creditors in Scandinavia and West Germany were still owed £3m. to £4m. Her own company was owed more than £100,000.

"The managing director of Strømmen Staal felt that if I could get on the committee of inspection I could also represent other foreign interests who, quite frankly, think it is taking a long time to get anything done."

Mrs. Chinnery told Mr. Robert Smith, the liquidator, that her company was one of those that continued to do business with Upper Clyde in the belief that the Government was behind it.

Mr. Smith said he would ask the Parliamentary Commissioner to investigate possible maladministration by the Government. He had written to the Secretary of State for Industry saying the Government had "the greatest moral duty."

## Deep-mined coal production down nearly 7%

BY RAY DAFTER, ENERGY CORRESPONDENT

PRODUCTION from Britain's deep-mined coal fields fell by nearly 7 per cent. in the first nine months of this year, according to the latest Government energy statistics.

The drop in output, from 84.6m. tons to 78.8m. tons, was partly offset by a 17.5 per cent. increase in production in open-cast fields.

Total coal industry output, at 88.9m. tons, was still almost 4 per cent. down on the corresponding period last year, however.

Distributed stocks of coal, mainly at power stations, rose by nearly 750,000 tons in September to a total of 25m. tons. Undermined stocks, at 10.5m., fell marginally during the month, but were still nearly 2.5m. tons greater than a year before.

Total home production of primary fuels in the three months to the end of June, measured in thermal terms, was more than 8 per cent. higher than in the corresponding period of 1975. The chief part of the increase was attributable to North Sea oil, although nuclear and hydro-electricity also made a contribution.

Total gas sales in the three months were about 2.4 per cent. higher than a year before. In the three months, June to August, electricity demand was nearly 3 per cent. higher than in the same months in 1975.

It is thought that the increase reflected the sustained higher demand of industry.

Energy consumption by the iron and steel industry in the second quarter rose by nearly 12 per cent. on the previous year, a result of partial recovery from the depressed level of activity in the sector in 1975. Industries other than iron and steel consumed about 1 per cent. more energy in total, with increases in gas and electricity offset by the lower use of coal and oil.

Consumption by final users on a heat-supplied basis was almost 1 per cent. lower in the second quarter. Fine weather, conservation measures and the impact of higher prices introduced in April, caused consumption in the domestic sector to fall by more than 10 per cent.

## English Rose £3m. scheme

ENGLISH ROSE £3M. SCHEME JOINT L.A.N.G. construction is to build a £3m. factory, with ancillary buildings, for English Rose Kitchens at Wedgwood trading estate in North Warwick.

Work will start on Monday on the £12m. building contract. The future of the present premises at Wharf Street has not been decided.

## Pension of £10,000 for ex-chairman

A PENSION of £10,000 a year for life was given yesterday to a former company chairman whose business was bailed out by the Government.

He is Mr. Robert Potel, who was chairman of Drake and Scull before it changed its name from Drake and Cubitt and sold off the Cubitts construction business.

Mr. Potel, 60, will receive the pension as part of a settlement for ending the £100,000 consultancy he was granted last year when he stepped down as chairman.

Under the consultancy agreement, Mr. Potel received a salary topping £17,000 a year—subject to indexation to take account of inflation and with part payment in Belgian francs—until October, 1977. After that the salary was to be reduced to £10,000 a year, subject to indexation until January, 1985.

Mr. Michael Abbott, Drake and Scull chairman, said yesterday that Mr. Potel had resigned from the Board as a non-executive director and would receive an ex-gratia payment of £5,000 in loss of office.

Mr. Potel, who gave up the chairmanship in September for health reasons, is still one of the group's largest shareholders with more than 1.1m. shares.

The Government said that it was giving the company a cash injection in August to clear the way for the sale of Cubitts construction business to Tarmac. The company received £700,000 but the Government agreed to make available a further £1.75m.

## More seek degrees in engineering

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

SUBSTANTIAL INCREASES in applications for university engineering courses are shown by a survey of demand for student places in 1977, reported yesterday by the Universities Central Council on Admissions.

The date of the UCCA survey was October 15, three days before the Prime Minister called for greater emphasis on industry-related studies.

Although only a minority of candidates had applied by then, a 6.8 per cent. increase over the previous year's total suggests university applicants will be up from 142,000 to 150,000 or more.

While civil, mechanical, electrical, and general engineering are so far gained increased numbers of applications, they have not also increased their share of the total demand. Subjects where the proportion of applicants has increased include education, veterinary studies, business management, accountancy, law, and combined languages.

Subjects which have attracted greater numbers, without any significant change in market share, include: medicine, industry, biology, chemistry, social studies, combined with arts, and classics.

### Stop sniping

A school careers master yesterday urged teachers and employers to stop berating one another and set about learning to talk together amicably.

Mr. Ray Heppell, president of the National Association of Careers and Guidance Teachers, said in Cardiff that "sniping" by employers did not help school careers staff who were already severely hampered by shortage of resources and time. Co-operation between teachers and employers was essential at all levels. There was a need to look beyond the present welter of piecemeal and fragmented expedients, and to plan the future carefully with the aid of a national inquiry into the educational training of the 16-18 age group.

## Scottish executives narrow salary gap

BY OUR SCOTTISH CORRESPONDENT

SALARIES OF company executives in Scotland are now 4 per cent. below the U.K. average, compared with 11 per cent. five years ago.

This is one of the main conclusions of a survey by Inhouse/C Survey Research, announced yesterday in Glasgow. The concluding difference was attributed to the average size of companies in Scotland being smaller than other parts of the U.K.

Managing directors in the survey earned an average of £9,366 a year, compared with £15,598 for those in between 1,000 and 2,000 employees. Other directors earned between £7,256 and £14,747.

Salaries for general managers were the same two categories higher, between £9,348 and £13,339, and company secretaries between £5,418 and £8,663.

The rise in gross managerial salaries in Scotland in the four years to July, 1976, was 63 per cent. (53 per cent. net). During the same period retail prices rose by 83 per cent. and average city earnings by 84 per cent.

The survey also shows that differentials between management grades were narrowing. Last year, managers one grade below managing director were earning 89 per cent. of their superior's salary, whereas the figure is now 73 per cent.

## New towns policy 'should be ended'

MOVING MASSES of people to new towns must be a thing of the past, Lord Sandford, president of the Council for Environmental Education, told an Institution of Civil Engineers meeting in London yesterday. The "crude and callous uprooting of whole communities" should not be tolerated.

Economic restraint, high energy costs and falling population were dominant factors affecting the future of Britain's cities. Further change must be more concerned with improving the character of what is already there.

## Cost of packaging rose by 2.4% in September

FINANCIAL TIMES REPORTER

PACKAGING costs rose by 2.4 per cent. in September, bringing the increase in the first nine months of this year to 9.04 per cent., the Eurofood-Siebert/Head Packaging Materials price index noted yesterday.

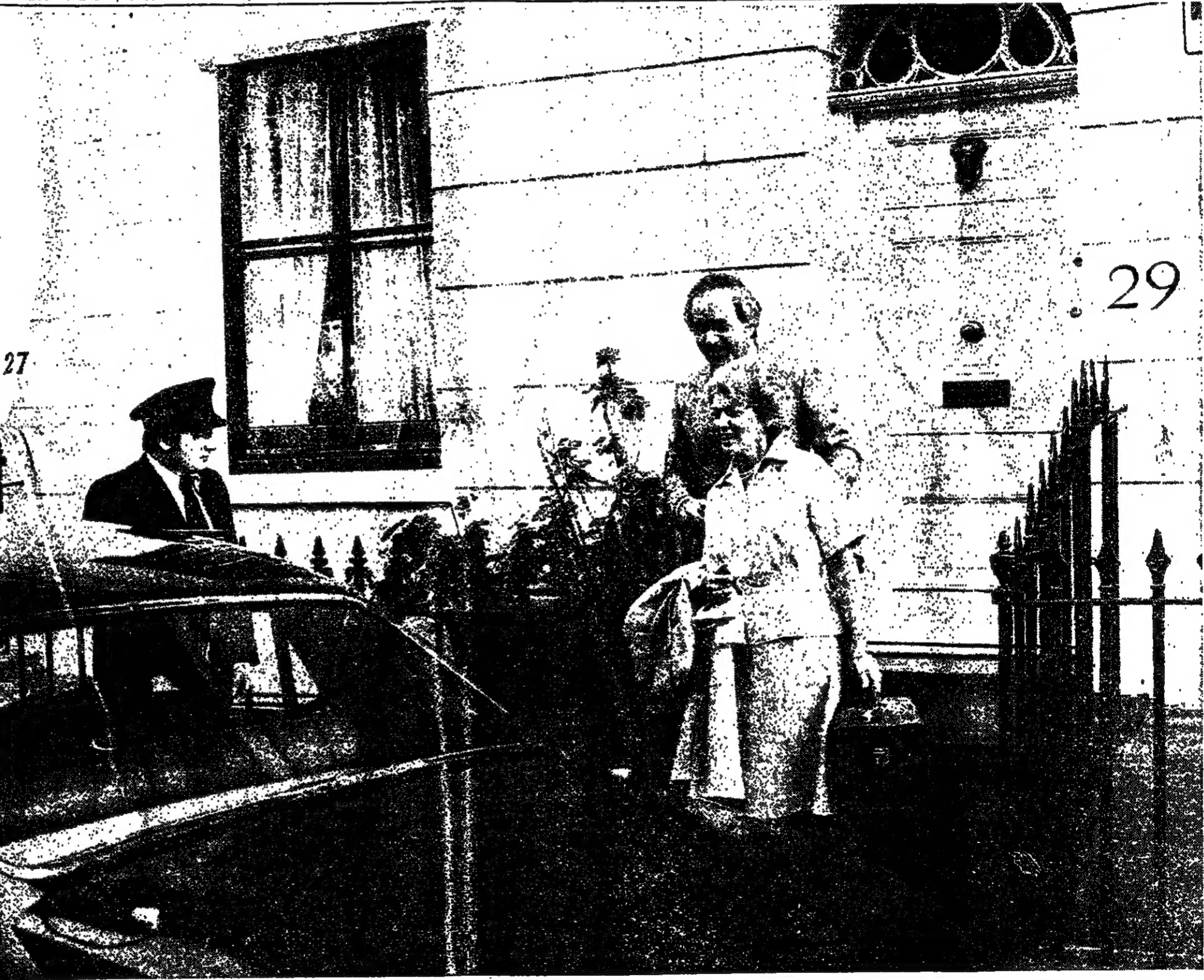
It was the biggest monthly rise in a year, reflecting steep rises in the cost of packaging materials made of paper, board, glass, corrugated cardboard, for example, were 11 per cent. dearer.

The biggest increases in the nine months of this year have been in materials made in plastic. Plastic bags, tappers and crates are now being manufactured at 14.72 per cent. more than in January. The other plastic containers—bottles, jars, caps and closures—costing 11.87 per cent. more. The paper and board category showing an increase of 9.81 per cent. on January, with much of the rise coming this month, while the cost of glass containers has risen by 8.74 per cent. since the beginning of the year.

The most stable sector currently seems to be metals, which have been static since April, when prices rose to 7.18 per cent. above their January level.

## Bus and Tube subsidy attacked

EVERY ADDITIONAL journey "bought" for London Transport on its buses and underground by Greater London Council's subsidy programme over the past four years has "cost the public purse" an average of 60p. Movement for London, a road-users' pressure group, claimed yesterday.



## QE2 World Cruise.

# What other ship would send a chauffeur to pick you up?

If you've always promised yourself a cruise round the world, here's a chance to do it in the most civilised manner ever conceived.

A few days before the Queen Elizabeth 2 sets off on her famous world cruise, we'll send a chauffeur-driven limousine to your home to take you to your nearest international airport.

From there you'll fly first class to New York, where a room will be booked for you in the Waldorf Astoria or a hotel of similar standing, giving you up to three days for theatre-going, shopping and sight-seeing in the city before the cruise starts. Then, on January 15th, another

chauffeur-driven limousine will call to whisk you off to the ship, waiting for you in New York harbour.

The cruise itself will visit all the places that dreams are made of: Florida, Rio, Acapulco, Cape Town, the Seychelles, India, Bali, Yokohama, Hong Kong — we have even negotiated a visit to the People's Republic of China — before returning to Southampton on April 12th.

As you'd expect the cuisine and entertainment on board will be unrivalled.

Fares start at £3,685, inclusive of limousine transfers, first class air fare to New York and hotel

stay of up to 3 days. No doubt there will be plenty of questions you want to ask about this historic cruise before booking. So why not phone today for full details. Alternatively, write to the Marketing Director at the address below or contact your travel agent.

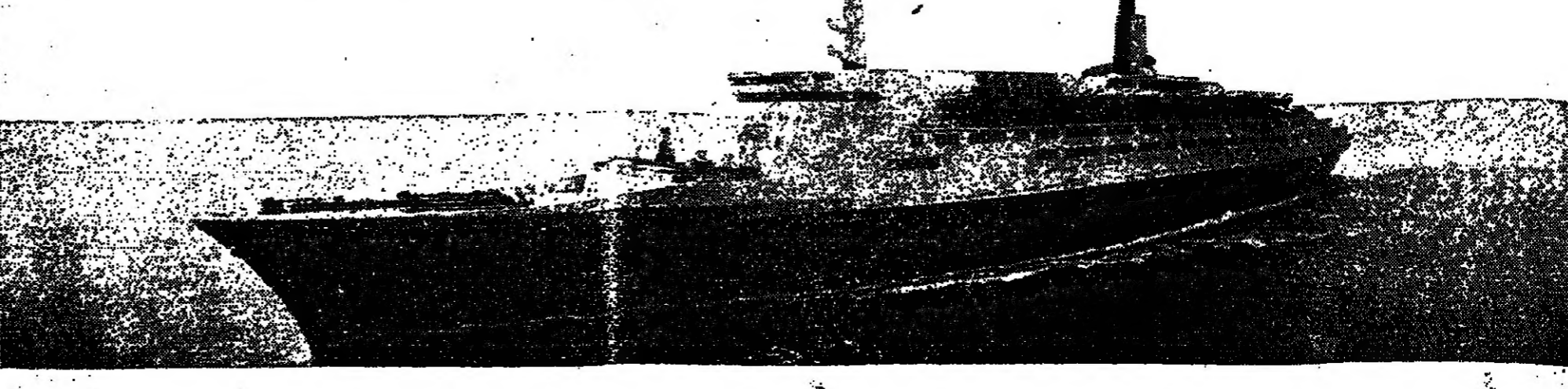
If you only plan to have one world cruise in your life, shouldn't this be the one?

## CUNARD QE2 1977 WORLD CRUISE

January 15th - April 12th.

CUNARD LINES, 8 BERKELEY STREET, LONDON W1X 6NR.

(01) 491 3930. SOUTHAMPTON (0703) 29933. DUBLIN 779036.



## CONTRACTS AND TENDERS

THE LEISURE CENTRE  
HINCKLEY

Offers are invited for the operation and management of this premier Leisure Centre which is due for completion in the spring of 1977.

Centrally situated and within easy reach of Coventry, Leicester, Nuneaton and the National Exhibition Centre, the Centre contains:

A Main Hall measuring 36.2m. x 32m., a Small Hall measuring 20.5m. x 16.5m., and 6 Squash Courts. Spectator accommodation for all three is provided by first floor galleries.

Water activities are catered for by:

A Main Pool measuring 25m. x 12.5m. depth 9m. - 2m.  
A Learner Pool measuring 12.5m. x 7.5m. depth 5m. - 8m.  
A Diving Pool measuring 12m. x 11m. depth 3.8m.

Also planned at first floor level are a Sauna, Suite, a Cafe Restaurant, two licensed Bars, Club and Committee rooms, and the usual offices.

The Centre is topped out at second floor level with:

A Projectile Range measuring 29m. x 12m.  
A Weight Training Room measuring 8.5m. x 4.75m.

It is intended that the use of the Centre shall be restricted to leisure activities and any proposals must include the retention of the main and learner pools. Other details, forgoing all the envisaged features are open to discussion and negotiation.

For further details and permission to view please contact Mr. C. Evans, General Manager, Housing and Public Services, Council Offices, Argents Road, Hinckley, Leicestershire. Telephone 0455 38141 Ext. 228 before November 5th, 1976.

## EDUCATIONAL

FRENCH LANGUAGE COURSES  
FOR PROFESSIONALS

4 and 8-week intensive classes in beautiful surroundings

Brochure from:  
GRASSE ECOLE DE FRANCAIS,  
38 Endless Street, Salisbury, Wilt.  
Tel: Salisbury 22586 Telex: 477403

## BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

DO YOU WANT TO EXPORT TROUSERS  
AND SKIRTS TO THE SCANDINAVIAN  
MARKET?

We wish to get in touch with a major factory or dressmaker's establishment interested in making trousers and/or skirts for us on a hire work basis. We are possibly interested in buying your trade-marked garments outright. We are a well established Danish factory for skirts, dresses and trousers interested in expanding sales through our effective sales organisation for Denmark, Norway and Sweden. In case you are well-established and have a large capacity and competitive prices, please write Box F-469, Financial Times, 10, Cannon Street, EC4A 4BY.

## LEGAL NOTICES

No. 003484 of 1976

In the HIGH COURT OF JUSTICE

Chancery Division Companies Court.

In the Matter of RAYSON DESIGN & CONSTRUCTION LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 20th day of October 1976, presented to the said Court by WILLIS & TOWERS WOOD, Chartered Accountants, 15, Abchurch Lane, London EC4A 3DF, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 22nd day of November 1976, and any creditor or contributory of the said Company desiring to support or oppose the making of an order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

BRADY & WALLER,  
23 Eldon Court,  
Finsbury Square,  
London EC2A 4DS.

Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the undersigned notice in writing of his intention so to do. The notice must state the name and address of the person, or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named court later than four o'clock in the afternoon of the 19th day of November 1976.

No. 003536 of 1976

In the HIGH COURT OF JUSTICE

Chancery Division Companies Court.

In the Matter of OSTRIO LIMITED and in the Matter of The Companies Act, 1948.

NOTICE IS HEREBY GIVEN, that a Petition for the winding up of the above-named Company by the High Court of Justice was on the 20th day of October 1976, presented to the said Court by MARLOW & CO. (BUILDERS' SUPPLIES) LIMITED whose registered office is situated at Marlow, Bucks, and who are acting as liquidators of the said Company, and that the said Petition is directed to be heard before the Court sitting at the Royal Courts of Justice, Strand, London WC2A 2LL, on the 23rd day of November 1976, and any creditor or contributory of the said Company desiring to support or oppose the making of an order on the said Petition may appear at the time of hearing, in person or by his counsel, for that purpose; and a copy of the Petition will be furnished by the undersigned to any creditor or contributory of the said Company requiring such copy on payment of the regulated charge for the same.

COLLYER-BRISTOW & CO.,  
4 Bedford Row,  
London WC1R 4EJ.

Ref: R/12/GM.

Accompanied by BIRKBEYS,  
21-23, Moorgate Street,  
London EC2A 4JH.

Solicitors for the Petitioner.

NOTE.—Any person who intends to appear on the hearing of the said Petition must serve on or send by post to the undersigned notice in writing of his intention so to do. The notice must state the name and address of the person, or firm, or his or their solicitor (if any) and must be served, or, if posted, must be sent by post in sufficient time to reach the above-named court later than four o'clock in the afternoon of the 26th day of November 1976.

In the MATTER OF THE COMPANIES ACT, 1948

IN THE MATTER OF

SERKLEY OVERSEAS LIMITED

(in Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 298 of the Companies Act, 1948, that a GENERAL MEETING of the MEMBERS of the above-named company will be held at 33, Clifford's Inn, Fetter Lane, EC4A 3DF, on Tuesday, the 30th day of November, 1976, at 2.30 p.m. to be held at 2.30 p.m. for the purpose of receiving an account of the Liquidator's management and the conduct of the winding-up of the company.

Dated this 27th day of October, 1976.

Liquidator.

IN THE MATTER OF THE COMPANIES ACT, 1948

IN THE MATTER OF

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(in Liquidation)

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Dated this 27th day of October, 1976.

Liquidator.

## OFFSHORE OIL AND GAS REVIEW

Sorting out who  
pays the piper  
for Forties Field

AT LONG last British Petroleum, Shell and Esso have begun serious negotiations over the finalisation of the prolific Forties Field. Shell confirmed yesterday that one of the possibilities being considered was the appointment of a consultant who would decide how much of the field each company owned. If all goes well the issue could be settled sometime next summer. It is often overlooked that a small proportion of the reservoir—perhaps 3 per cent to 5 per cent—lies in Shell/Esso's block 22/8.

Up to now BP, as the licensee on block 21/10 which contains the bulk of the field, has funded the entire development operation. According to the company, total development costs will exceed £300m.; some industry estimates suggest that inflation and other factors will take the figure considerably higher. For instance, one leading analyst reported this month that the total cost, including development drilling and terminal facilities, could be £1.66bn, when converted at current sterling rates, takes the bill to over £1bn.

On the other hand, Shell and Esso are not receiving any revenue from the field which came on stream in February last year. Forties is expected to be producing at the rate of 500,000 barrels a day by the third quarter next year, a peak rate which is 25 per cent above original estimates. It is likely that this rate of production can be sustained through 1978 and 1979 falling slightly to perhaps 490,000 barrels a day in 1980 and 420,000 b/d in 1981.

When the unitisation matter is finally settled, Shell and Esso will probably pay their share of the development costs (presumably with interest) out of revenue due to them.

Mr. David Steel, BP's chairman, made it clear that the upgrading of production had not altered estimates of the Forties Field's recoverable reserves: 1.8bn. barrels. It is understood, however, that this

figure is now based on recovering 45 per cent of the 4bn. barrels assumed to be in place.

Earlier reports suggested that BP was expecting only a 40 per cent recovery factor from total reserves of 4.5bn.

It may be some time before a clear picture of the reservoir size and recovery characteristics emerge (although the early signs are encouraging). After all, only 18 of the planned 106 production wells are at present yielding oil. One of the four platforms, FD, has yet to be brought on stream, although drilling of its first production well could begin early next month.

As the field's development has gone so smoothly, at least when set against some of the other ambitious North Sea ventures, it is tempting to pitch the final recovery factor even higher. Although speculation is premature, it is not unreasonable to assume that eventually BP could use a third stage recovery technique—the so-called "huff and puff" method—or carbon dioxide to stimulate the flow of crude are two possibilities.

The time is approaching when BP should be planning the development of its Magnus Field. The Government and the offshore industry are hoping that a decision to proceed with the project will be taken next year. The field has estimated recoverable reserves of about 500m.

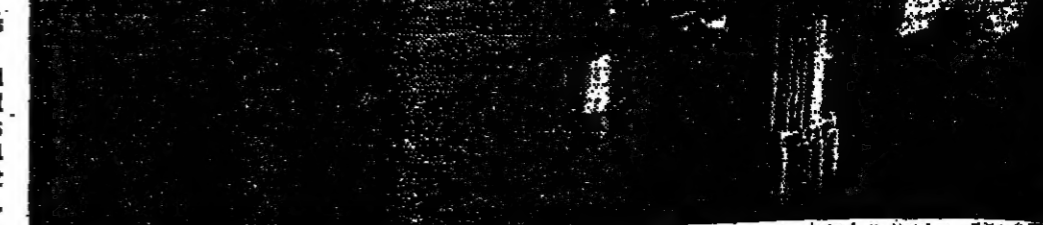
barrels, although this figure is far from established.

The last well to be drilled on the structure, 211/12-4, did little to enhance the field's prospects. Apparently the well was disappointing; the fact that it was not tested indicates little, if anything, was found. However, it was a bold step-out well, drilled on the southern extremity of a fairly narrow field. The fifth well on the block, currently being drilled by Sedco 703, is a true appraisal project which should give much more information about Magnus. As it is being drilled in the centre of the structure it would be surprising, if it well proved to be fruitless.

Indeed, the siting of 211/12-4 has given rise to industry speculation that BP is trying to determine the most suitable location for a platform assuming a fixed structure is chosen. At this stage such an assumption is dangerous—no possible development method—whether it be a floating, tethered, fixed or sub-sea system—has yet been discounted.

The offshore industry is picking up signs that Shell has started in earnest planning for the development of the Cormorant Field extension. The Shell/Esso group has already indicated that it hopes to order a platform next year.

Such an order could inject life into the Government-owned



Development work is proceeding on production platforms for the Anglo-Norwegian Frigg gas field.

concrete platform construction in only 148 feet of water a mere 12 miles, appears to be the most exciting prospect in this current round of drilling. Possible recoverable reserves of 500m. barrels, as mentioned in this column on September 17, still seems a reasonable estimate, given the information available to date. Certainly there are some red faces in the exploration departments of major oil companies where that area of the Moray Firth had been virtually dismissed as unproductive. More should be known after the Mesa group has completed its second and third wells, however.

There must also have been some red faces in Gulf following the discovery of oil on block N7/12 in the Norwegian sector. The Gulf/National Coal Board group once relinquished Irish Sea concessions as having little commercial potential only to find British Gas becoming excited about a big gas field in the area. Gulf also relinquished its interest in block N7/12.

If Mowlem Taywood, the U.K. licensee for the Condeep design, opt for the use of the Portavie it will first have to come to an agreement with the Government and Sea Platform Constructors, the facilities present operators.

Shell is saying nothing of its platform ordering plans. It is shortly also remaining tight lipped N16/8, another block affected about the results of its exploration. The virtually complete. It is under secrecy is understandable: the stage that the well reached block lies near other blocks in total depth this week. Once quadrants 14 which are being the well on N16/8 has been offered in the fifth round of completed BP will be in a position to assume its dominant role in the consortium.

group is almost certain to be an applicant for at least a couple of the quadrant 14 concessions. BP has been similarly coy about the recent drilling on block 20/10.

But it seems that BP has been at least partially successful with its gas exploration on block 12/30, to the west of the West Sole field. The Rig Key Gibraltar has been involved in a testing programme this week. This indicates that at least some worth testing has been found. A second well on the block, drilled by the Continental BP/Pelican Group, has found oil within a mile of the spot chosen by Gulf as its partner. Brokers, however, report that the first must have been terminated in less than 150 feet short of the bearing layer.

The total depth of the second successful well was 12,000 feet. During the testing it produced 7,100 barrels of oil and 119,000 cubic metres of gas per day. The farm-in arrangement must, eventually, BP Development of Norway, become operator of the group with 57.5 per cent stake. Conoco come to an agreement with the Norway will have a 25 per cent interest. Pelican will have 3 per cent and Statoil 12.5 per cent.

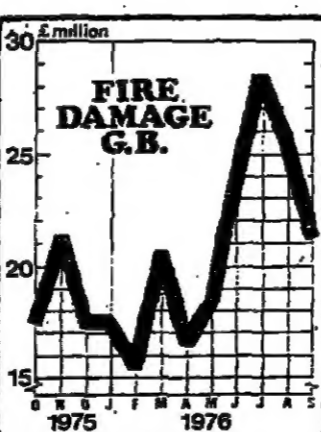
The change-over should complete platform ordering plans. It is shortly also remaining tight lipped N16/8, another block affected about the results of its exploration. The virtually complete. It is under secrecy is understandable: the stage that the well reached block lies near other blocks in total depth this week. Once quadrants 14 which are being the well on N16/8 has been offered in the fifth round of completed BP will be in a position to assume its dominant role in the consortium.

## OIL RIG MOVEMENTS

GROUP	RIG	BLOCK	GROUP	RIG	BLOCK
Amoco	Sedco 135G	211/27-7	Phillips	Ocean Rover	15/27-2
BP	Key Gibraltar	42/30-1	Phillips	Western Pacesetter	14/15-2
BP	Sedco 703	211/12-5	Premier	Ocean Voyager	29/86
Burmah	Borgny Dolphin	211/18-13a	Shell	Stadfill	211/29-7
Conoco	Dundee Kingsnorth	3/7-2	Shell	Sedco 700	211/29-4
Conoco	Venture 1	9/19	Shell	Chris Cheney	3/12-1
Mesa	Penrod 67	11/30-2	Sun	Penrod 71	211/22-1
Occidental	Bredford Dolphin	15/17	Total	Pentagone 84	3/25-5
Pan Ocean	Odin Drill	16/7-4	Transworld	Pentagone 82	21/1-4
Pan Ocean	Atlantic 1	16/7-5	Transworld	Sednet 701	21/1-5
			Zapex	Sinbad	23/2
			Hydrocarbons	Drillmaster	104/2

Fires caused £21.2m.  
damage in a month

BY ERIC SHORT



The fire at British Aluminium Inverdon smelter cost an estimated £2m. There were 24 other fires which cost between £100,000 and £1m. each. At places used by the public such as shops and schools there were 27 fires during the month and 12 in private dwellings where damage was in excess of £25,000.

## BANK RETURN

Banking Department  
LIABILITIES  
Capital... £14,585,000  
Public Deposits... £8,986,541  
Special Deposits... £1,110,000  
Borrowings... £77,191,000  
Reserves & other funds... £2,359,776  
Total... £100,000,000

ASSETS  
Loans... £17,000,000  
Advances & other... £14,585,000  
Premises, equipment & other... £8,986,541  
Total... £100,000,000

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Financial  
Highlights

## Financial Position (in Thousands)

Total Assets  
Deposits  
Loans, Net  
Shareholder's Equity

September 30

1976 1975

\$ 3,330,315 \$ 3,213,334  
2,705,677 2,496,255  
1,532,215 1,444,338  
192,321 153,653



## Financial Position (in Thousands)

Total Assets  
Deposits  
Loans, Net  
Shareholder's Equity

September 30

1976 1975

\$ 4,677,624 \$ 4,421,341  
3,852,635 3,504,247  
2,254,563 2,060,596  
252,239 203,566

## Operating Results

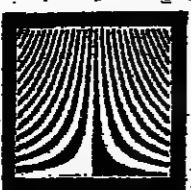
Income Before Securities Transactions  
Per Share  
Net Income  
Per Share

For the Nine Months Ended September 30

\$23,359,000 \$20,899,000  
2.58 2.31  
23,586,000 20,636,000  
2.60 2.28

London Branch: J. C. Moriniere,  
Senior Vice President and General  
Manager, Scottish Union House,  
25 Bucklersbury, London EC4A 8DR  
Telephone 01-248-3606 • Telex 885535.  
Incorporated with limited liability  
in the U.S.A. Main office:  
Robert C. Howard, Executive V.P.,  
Houston, Texas 77001, U.S.A.  
Telephone 713-658-6672  
Telex FIRSTBANK 762429





# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOTTERS

## RESEARCH

### Getting the best out of coal

PLANS FOR the construction of a subsidiary company of the NCB set up to manage this work. The National Coal Board has been developing the fluidised bed combustion process since the mid-1960s. The process provides higher heat release rates at lower temperatures than in other coal combustion systems and a very important spin-off is that smaller and cheaper boilers can be used.

It was pointed out yesterday that a second stage in the development could be to pressurise the combustor up to about ten times atmospheric pressure and use the hot pressurised exhaust gases to drive a gas turbine in parallel with a conventional steam turbine.

Such combined cycles, it was added, have a potential overall generating efficiency approaching 50 per cent, which compares with 38 per cent. the best achievable in conventional power stations, whatever their fuel.

It was decided to site the research facilities at Grimethorpe in the centre of a coal field, so that it could be run in conjunction with the power station there to provide actual operating experience and justification for the next stage, which will be scale-up to a full power station operation.

## HANDLING

### Pedestrian controlled stacker

WO TONNES can be lifted by the latest truck in the Crown range of heavy duty pedestrian controlled stackers. It offers lift heights up to 210 inches and a variety of straddle widths and fork lengths to suit the application.

Manoeuvrability and narrow aisle performance are features of the 24v battery-powered truck—asking of standard 48 inch x 1 inch pallets can be carried in a 6 foot aisle.

The control handle, itself a godman brake, houses the twist to accelerator for three speeds forward and reverse, the horn, rise and lower bars, safety reverse button, high-speed cut-off switch for operation in congested areas, and a key to prevent authorised use. A separate lever gives infinite adjustment of rise and lower speeds.

Details from Crown Controls, Rmaldale Road, Feltham, Middx. W14 0LR. (01-890 0191).

## PRINTING

### Simplified plates for offset

HOUSE print departments in make offset masters on a standard electronic stencil cutter with a new process developed by Vickers.

Lithoform offset masters are the new plates called, will produce tone, or combination tone and line, and are capable of un-colour separation. No screen required.

Plates can be produced in under two minutes depending on the nature and size of the original. Plate size is 254 by 281 mm. and the masters will fit the great majority of table-top offset machines, says the maker.

Masters are available in boxes of 50 (average cost 45p each), and normal run length is 1 to 1,000 copies. Details from Vickers, Lansdowne Road, Weydon CR9 2HA (01-886 4333).

## AGRICULTURE

### Spreads the fertiliser

SIGNED FOR the application of chemical sprays and liquid fertilisers, a trailer mounted sprayer has been launched by E. Iman and Company, Birdham, Chichester, Sussex (0243 2511).

There is a choice of five sprays, three types of wheels, dual or Hi-Clear axles, and 6 booms. There are also optional extras, such as a boom wing and chemical sifter.

Among other features are improved boom rotation, using compressed rubber instead of springs, reduces boom bounce and minimises shock load on the rayer; diaphragm check valves at each nozzle to reduce drip.

## ELECTRONICS

### Service for micro users

A CONSULTANCY service for microprocessor users has been set up by RCA Service Division in conjunction with RCA Solid State Europe.

The new organisation will be known as RGA Microprocessor System Services and will offer aid in the design and commissioning of complex control systems.

For some time, RCA Solid State has marketed its COSMAC CDP 1800 Series of microprocessors in conjunction with a series of hardware, software and application aids designed to assist the user in applying the microprocessor system to his own needs.

With the advent of the CDP 1802 single-chip microprocessor and the big growth predicted for this type of system into widely differing industrial applications, RCA says the time has come to offer the prospective user a full consultancy service, covering all aspects from the initial design concept through prototyping, program writing, etc., up to prototype manufacture and installation.

It is stated that it will be possible to observe confidentiality and to carry maintenance of hardware. Although the activities of the new service are not necessarily limited to RCA's own microprocessor products it is expected that most of the initial effort will be devoted to applications of the CDP 1800 series.

The service will be available direct from RCA or through RCA Solid State's U.K. distributors and more information can be obtained from RCA Solid State-Europe, Sunbury-on-Thames, Middlesex TW16 7HW.

## SAFETY

### Personal oxygen monitor

SEWER MEN, and those working in boiler rooms, power stations, and ships, or with inert gas flushing systems or welding equipment, can carry the E14 Oxylarm from Draeger Safety in their breast pockets or on a belt to give an instant warning of a change in atmospheric oxygen level.

The instrument, which weighs 0.45 kg, and measures 160 x 65 x 30 mm, has a meter displaying 18 to 24 per cent oxygen (zero level is normally 21 per cent). Oxygen flooding or deficiency is indicated by an audible alarm. Speed of response is stated to be less than one second for a 10 per cent change in oxygen concentration; the range required can be preset.

The unit operates from a polarographic cell, and incorporates an on/off switch which cuts out power to the main circuitry of the instrument but allows a very small current to energise the cell, ensuring constant stability and negligible warm-up time. Price is about £130.

Switched off, the unit has a life of at least six months, and in continuous use will last six weeks. The alarm circuit will operate for 12 hours continuously. The alarm will also sound if the cell or the battery are nearing the end of their useful life.

More from Draeger Safety, Sunbury Road, Chesham, Bucks, HP8 2AR (02405 74461).

## INSTRUMENTS

### Electrically conductive adhesives

THREE SILVER filled electrically conductive adhesives for the electronics industry have been developed by Demetron, of Hanau, West Germany, a Degussa subsidiary.

With silver contents of between 70 and 94 per cent, all three are said to have good electrical and mechanical properties. They are an epoxy adhesive and a silicone adhesive, both one-component systems, and a two-component epoxy adhesive. Operating temperatures range from 180 to 200 degrees C.

The adhesives are applied with spatula or syringe, and the silicone adhesive can also be used in screen printing, with a dropper, or, when diluted, with a brush.

Suggested applications include bonding components on printed circuits, for mounting transistors, diodes and ICs on substrates for the electrically and thermally-conductive sealing of housings, and for making electrical connections.

Details from Degussa, Postfach 2644, D 6000 Frankfurt am Main 1.

prospects of the European semiconductor industry and in the analysis of necessary steps to improve the probability of success. Domination of European markets by American manufacturers of large scale integration (LSI) circuits and optoelectronic displays, and the generally unsuccessful competitive position of the European semiconductor industry regarding state-of-the-art devices, a position which deteriorates with each new wave of innovation, has been a source of increasing concern not only to the indigenous West European semiconductor companies themselves but also to the major West European Governments. For this reason, various programmes of governmental support for the national semiconductor industries in Europe have operated for a number of years, although to date without any significant degree of success.

But the various Governments have realised that the electronic component market is one into which they can go on pouring money for no tangible result because of the way the industry has organised itself between innovation in the U.S. and manufacture in low-cost wage areas—the offshore operations of the Far East and Latin America.

The report, primarily for West German initiatives, will contain a detailed examination of the technology and product trends over the complete range of current and future products in integrated circuits (ICs) and optoelectronic displays (OEDs). There also will be an analysis and forecast of the trend of all major economic influences that affect the production costs of ICs and OEDs.

Predictions will be made for semiconductor markets in all the important application areas for the major West European countries. West Europe as a whole, the U.S. and Japan and the world as a whole for the next ten years. Basic factors made of the strategic factors and which influence the success or failure of semiconductor companies in general, and in Europe in particular, will be studied.

The final report on the study will be made in December, her this year. It will serve both as a detailed forecast and as a guide for the development of strategy within the Governments sponsoring the study, acting either singly or in co-operation with each other, in the assessment of the present situation and the future.

## COMPONENTS

### Trends in electronics industry

NEARING completion is a major study of what could be called a "survival package" for the electronic component industries of Europe and in particular that of West Germany.

The global study gives primary emphasis to Western Europe but also covers the U.S. and Japan. It was commissioned by the Federal Republic of Germany and is supported by the Governments of France, the Netherlands and the U.K. as well as the European Commission.

The two main aims of the survey are to provide a ten-year forecast of trends in technology, products and markets for both integrated circuits and optoelectronic displays. An analysis is made of the strategic factors and which influence the success or failure of semiconductor companies in general, and in Europe in particular, will be studied.

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## Fast-acting gear for pipelines

PATENTED fast-action pipeline isolation valve equipment and quick-coupling for flexible pipelines are being marketed by Marine Ventures, 1 Maddox Street, London, W.1.

Developed in France by Onix Engineering, both have particular application in the petrochemical and refining industries as well as in general marine and industrial applications.

The Onix isolator valve is a fast-action manual or motorised device that is opened or closed rapidly, simply by operating a spectaclepiece slide valve. One "stroke" of the spectacle being blind, secure isolation is obtained rapidly.

The unit is produced in a wide range of sizes and materials and can be incorporated into any pipeline complex to control transfer, mix or regulate pressure of liquids and powders, while still acting in its prime function as a "fail-safe" back-up to conventional control.

The quick coupling is for use with flexible pipelines, and is also a single-lever operated device providing automatic alignment of both flange faces and seals, and a one-handed single-lever movement to tighten or release the couple. Coupling of flexible piping thus becomes a one-man operation.

Pressures of up to 80 bars can be coped with. The device is produced in a variety of materials to suit pipe diameters from 25.4mm (1 inch) to 254mm (10 inches) with a choice of gasket materials.

The company is on 01-436 8587.



Double-sided plain paper reproductions of documents, photographs and other types of original material can be produced on this machine just put on the market by Oyez Reprographics of Vale Road, Tunbridge, Kent TN9 1XU. Sizes up to 364 by 257 mm. can be reproduced. The machine is supplied with a trolley-cabinet which provides both storage and mobility.

and extended back frame to allow high clearance full crop application—applied control in general for example. Filtration equipment is of stainless steel.

Prices range from £1,400 for a machine with a 35-foot boom, roller pump, and 10.5 x 15 rotation tyres, to £2,100 for a model fitted with a centrifugal pump and direct self-aligner.

## COMPUTING

### Terminal for NC tape preparation

LATEST VERSION of the Model 801/EIA keyboard printer terminal from Transdata is being used for NC tape preparation. It provides conversion from EIA (the American Electrical Industries Association) punched paper tape code to ISO code and vice versa.

The company claims this facility substantially reduces the time taken to program and punch an NC tape, because it provides greater flexibility and economy. As it converts electronically from and to both codes, NC tapes may be prepared in either ISO or EIA and converted as required either for on-line time-sharing work or for use on the NC machine tool.

Both companies believe that NC can be profitably adopted by large and small engineering companies, because of the resulting increase in productivity and versatility.

Details from Transdata, Solent Road, Havant, Hants. (07012 6556).

## Controller of network

TSI International is bringing out its "fourth generation" of telecommunications support software under the name Task/Master II.

Software conversion aids for users of IBM's CICS package are provided and the new release imposed no burden on users of the previous version.

Notable among Task/Master II's capabilities is the support of a totally decentralized network of processors. It can operate in a host processor, a locally-attached front-end processor, or a remote satellite processor. Application program construction is the same whether the package is operating in a host or satellite processor, thus permitting work to be performed at every level and against distributed databases. A complete inter-processor queuing mechanism and command language is provided to simplify distributed network design.

TSI International, 19 Bedford Row, London WC1R 4EB. 01-405 7304.

## PLASTICS

### Sets hard and fast.

RIGID POLYMERS can be produced in less than one minute and can be fabricated into parts weighing up to 100 kg with thicknesses up to 15 cm.

This is the main claim made by Dow Chemical for its Instant Set Polymer (ISP) which is formed when an isocyanate and a polyol are pumped into a mould together with a catalyst.

The raw materials polymerise rapidly and exothermically, says Dow, the heat of the reaction being absorbed by an organic modifier which prevents thermal degradation of the plastic.

Moulding takes place at almost ambient temperature and thus demands much less energy than conventional injection moulding materials. Heavy section moulding is possible in very short cycles.

The material can be easily machined and most of the applications to date have been in corrosive environments. Typical applications proposed by Dow are in rods, bars and plates, gaskets, rollers and wheels and in electrical components.

The technology and materials needed to produce ISP parts are offered on a licensing basis and that includes a U.S.\$10,000 initial fee.

Further information is available from the company at Heathrow House, Bath Road, Hounslow, Middx. TW5 9QY.

## On the balance sheet, it's an asset. On the road, it's a revelation.



The Bedford TM 38 tonner. It's just one of the latest additions to a complete range of TM trucks from 17 tonne GVW to 42 tonne GCW. In transport jargon they're called "premium trucks." Which simply means they're the best money can buy.

The TMs are built to be as tough as nails. They're also designed to carry payloads that are higher than those of most competitive premium trucks.

As well as covering a wide span of weights, the TMs offer an extensive choice of wheelbases, configurations and engines.

The result is a range of trucks that can be tailored equally well to delivery work as to international haulage. Some of the names on the sides of TMs are evidence of their drawing power. BRS, Vickers, the Milk Marketing Board, Lucas, Harp Lager and the National Coal Board, to name but a few.

By now, it will probably come as no surprise to learn that of all four major British manufacturers, only Bedford increased their truck sales in the UK this year.

That's good news for our balance sheet. Bedford TM could be good news for yours.

## BEDFORD TM The Muscle Trucks

**Lease your trucks and vans through Master Hire.**

**Master Hire can save you time and money.**

For full details post coupon (no stamp needed) to:  
 Vauxhall Motors Ltd., FREEPOST, Route 3545, Luton, LU2 2BR.

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Company \_\_\_\_\_

Address \_\_\_\_\_

FT 1

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.



## Labour victory on aid to industry

By Justin Long, Parliamentary Correspondent

THE GOVERNMENT last night overrode Opposition warnings of confusion and difficulties in the way of Parliamentary supervision over the proposed increased provision for the State aid of industry.

Tory protests that public money, spent through a variety of channels, would not be properly monitored were rejected by a Government majority of 17 (212-195) during debate in the Commons on the Industry (Amendment) Bill.

The Bill increases from £650m. to £1.65bn. the limit on the power of the Government to provide financial assistance to industry.

From the Opposition Front Bench, Mr. Michael Gyles, an Independent, said that the Government could be "forced" to the National Enterprise Board and to NEB-owned companies as the Bill stood. The Government would be enabled to siphon more funds into the NEB with scant control from the Commons.

### Feeding

The Tories suspected that the Government was using a procedure that would excuse the use of State funds for non-viable projects.

Labour MPs made clear their own suspicion—that the Tory amendments were prompted by their hostility to the NEB.

Mr. Tom King, for the Opposition, repudiated the idea that the changes sought from his side of the House were concerned with the arguments about whether or not there should be an NEB.

"Our argument is simply this: you have an NEB. The NEB has funds. You have funds under the Industry Act. And we object to the confusion of different sources of funds which are being crossed over in this way—making it more difficult to decide just where the funds are going and what developments they are going to generate."

There would inevitably be a duplication of the monitoring of the provision of the funds, Mr. King maintained.

But Mr. Bob Crowe, the newly appointed Under Secretary for Industry, assured MPs that the Bill would not give any real advantage to the NEB. "There is no intention of simply feeding the NEB with Section 8 money, the relevant section of the Industry Act," he said.

He accused the Opposition of being prepared to grant discretionary powers to the Government to help entirely privately-owned firms, but not in the case of firms wholly or partly owned by the NEB.

"The NEB is a vital part of the Government's strategy," said the Minister. "We want it to succeed and we do not want it restricted or to have the Industry Secretary restricted in his application of legislation."

The Tories then took their protest to a division.

## Lords say extra time not enough

LESS than an hour after the Government had announced a week's extension of the Parliamentary session to clear the logjam of controversial Bills, Opposition peers warned yesterday that they could still not guarantee completion of business.

Peers, who on Tuesday carried a motion protesting at the workload forced on them, described as "unrealistic" hopes that the concession would give them enough time to do their revising job properly.

But Baroness Llewellyn-Davies, Government chief whip in the Lords, insisted that it was the Government's "firm intention" to complete its legislative programme.

Earlier in the Commons, Home Secretary Mr. Merlyn Rees, standing in for Leader of the House, Mr. Michael Foot, had said the State opening of the new session was to be delayed until November 24.

Lord Byers, Liberal Leader, said that the Government should drop one, or even two, of its major measures if more time was not to be allowed.

Lord Carrington, Tory Leader, said he had no idea whether the extra week would be long enough to complete the "enormous backlog of business."



## COMMONS ERUPTS AT PRESENCE OF RUSSIAN OFFICIAL

BY JOHN HUNT

THE visit of Mr. Boris Ponomarev, head of the International Department of the Soviet Central Committee, provoked furious scenes yesterday with Mrs. Margaret Thatcher, leader of the Opposition, condemning it as a major diplomatic blunder which would be used as Russian propaganda in every Iron Curtain country.

But for the Prime Minister it came as an unexpected blessing in disguise. For the first time in weeks he was able to get through Question Time without a single reference to the sinking pound and the state of the economy.

According to Mr. Peter Blaker (C. Blackpool S.), the Russian visitor was an accessory to the slaughter of millions of his own countrymen and was now masterminding the destruction of British liberties. At first, Mr. Callaghan showed no signs that he intended to answer the question. He remained seated as the Tories yelled at him and demanded that he get to his feet.

It was obvious, however, that a canny politician like Mr. Callaghan was not reluctant to split out a row over a

visitor from distant parts if that meant that he could duck awkward questions on the home front.

There were chants of "True, true" from the Tories as he mildly observed that their insulting words would not help relations between Britain and the Soviet Union.

Watching the uproar from the visitors' gallery was Mr. Ponomarev himself, seated with a row of grey-suited cohorts. This gave Mr. Nicholas Ridley (C. Cirencester and Tewkesbury) the opportunity to raise the cry of "I spy strangers" the traditional way of clearing visitors from the House as a means of protest.

As members trooped out to vote on this motion Mr. Greville Janner (Lab. Leicester W.) intervened by placing a skull cap on his head and asking Mr. Ridley to withdraw the motion. He was observing the rule that a member must cover his head in order to intervene once a division has started.

Mr. Janner argued that the Russian should be allowed to remain in the gallery if only to see how democracy

worked. Unfortunately, Mr. Ponomarev and his colleagues chose this moment to stalk out, presumably in complete bewilderment at the esoteric antics in the chamber.

Throughout the row Mr. Callaghan maintained that British Governments, Tory and Labour, had always been prepared to meet representatives of foreign powers whatever they might think of their policies and methods.

It was soon shown that the Conservative leadership and many of the rank and file privately accepted Mr. Callaghan's view, whatever they might say across the floor of the House.

The Conservative Front Bench abstained from supporting Mr. Ridley's motion and it was defeated by a majority of 112 (30-192). The figure showed that less than a third of Tory MPs were prepared to support the hardliners in the party.

The result certainly seemed to give satisfaction to Mr. Callaghan. As he left the chamber he jauntily observed to his colleagues: "Well, at least we won't have a war with Russia."

## Diplomatic blunder—Thatcher



Mr. Lee-Murray drinks a toast with Mr. Boris Ponomarev at a TUC reception after the Russian official's Parliamentary visit.

you ever become Prime Minister you never intend to meet a member of the Politburo, you had better make it clear now."

Mrs. Thatcher remained in her place and Labour's Mr. Jones and Mr. Callaghan were constantly interrupted—and as he began with "insulting words..." Tories chorused: "The truth, the truth."

When he could make himself heard Mr. Callaghan said: "I am sorry that I am not making a good relations between us and a very powerful country which is of great importance to Western Europe."

Amid shouts of "which side are you on?" from "Crossers" in the gallery, the Prime Minister said Britain's attitude should be in the words of Sir Winston Churchill—"jaw, jaw is better than war, war."

Left-winger Mr. Eric Heffer (Lab. Wallingford) condemned the Prime Minister's threat to withdraw the British Army on the Rhine.

Mr. Callaghan replied angrily that she was misrepresenting what he had said, and misunderstanding the situation over representations to the Russians. These matters were best conducted privately—they had an impact.

Mr. Callaghan finally stood up and commented: "I just wanted

## 'Net closing on Provos as revolt against violence continues'

A GROWING number of Provisional IRA were being caught red-handed, Mr. Roy Mason, the Northern Ireland Secretary, told the Commons. He said: "The greater efficiency of the security forces and the people's revulsion from violence, is closing the net on terrorists. They know they cannot win."

Attacks by the Provisionals on the security forces during the past three months had led to the death of three policemen and four soldiers.

Twenty-four persons had been killed by sectarian gangsters from both communities, he said. So far this year, 1,037 people had been charged with murder, 89 with attempted murder.

Mr. Mason went on: "The police and Army perform their difficult and onerous task with skill, bravery, tact and compassion that could not be equalled by forces anywhere else in the world."

Mr. Ian Gow (C. Eastbourne) urged the Government to acknowledge the "enormous damage" was being done by the former policy of talking with representatives of the terrorists. He called for an undertaking that it would not be repeated.

Mr. Mason said there had been no talks for some months and none pending but added that he would not use the phrase "never again."

Mr. Bryan Gould (Lab. Southampton Test) said that the law governing compensation for criminal injury was in need of urgent review. Compensation received by soldiers' widows was inadequate, Mr. Mason assured him that this was under review.

Mr. Airey Neave, Tory Northern Ireland spokesman, asked for steps to be taken against senior terrorists in Northern Ireland who were still walking around scot free.

Mr. Mason said he was looking at that. He hoped it would be months of 1976, more than in any

full year since 1972.

More bombs went off between July and September and Army experts defused fewer than in the previous two quarters. The amount of explosives found by the Army fell drastically from 11,184 lbs in the first quarter to 2,890 in the third.

On a more encouraging note there has been a steady, if small, decrease since the beginning of the year in the numbers of people being killed, despite increasing terrorist activity.

Fewer guns were uncovered by soldiers between July and September than in the previous quarter but Army sources maintain that this does not indicate a slackening of military activity.

Rather, they say, it shows that terrorist supplies are drying up.

## Mason repudiates Carter's Ulster view

BY OUR PARLIAMENTARY CORRESPONDENT

IN MAKING his Question Time debut in the Commons yesterday as Secretary of State for Northern Ireland, Mr. Roy Mason took an early opportunity to repudiate the view expressed by Mr. Jimmy Carter, the Democratic Presidential candidate, that the U.S. Government should not stand idly by in the face of the situation in Ulster.

The issue was raised in strongly censorious terms by Mr. Philip Goodhart (C. Beckenham) who condemned "the calamitous remarks" made by Mr. Carter in the heat of the American Presidential election campaign, which, he said, were likely to encourage the men of violence and to lead to increased bloodshed in Northern Ireland.

Choosing his words with studied care Mr. Mason replied that it was very dangerous for

anyone, irrespective of who he was, to make a judgement on the situation in Northern Ireland.

"The person concerned" he went on "is a candidate in the election and is not present. The present administration of the U.S. has also recognised the special problem of Northern Ireland and that it is a domestic matter for this country."

Mr. Goodhart's correspondent writes: "The Vanguard Unionist Party said: 'We hope Mr. Carter will not become another Edward Kennedy by interfering in the internal affairs of the U.S.'"

Mr. James Moynihan, leader of the Unionist MPs at Westminster, said the irresponsible opportunism of "this peasant politician" had done more to the success in stopping arms supplies from IRA sympathisers in the U.S.

Ulster politicians studying Mr. Carter's address to the Irish National Congress in Pittsburgh have found relatively little to react to.

Mr. Carter, in effect, said the U.S. should not stand idly by, that the Democratic Party understood the special problems in Ireland and that he had talked to Cardinal Cooke of New York about the need to establish a commission on international peace.

Mr. Paddy Devlin, a leading member of the mainly Roman Catholic Social Democratic and Labour Party said he had great suspicions about those who raised the Irish issue in American elections because when elected they never did anything.

The moderate Alliance Party said it would be regrettable if the Ulster tragedy were to become a vote-catching pawn in the Presidential elections.

## Hooson appointed director of Tory communications

BY RICHARD EVANS, LOBBY EDITOR

THE NEW director of communications in the Conservative Party, a key post that will involve helping to plan strategy for the next general election, is to be Mr. Tom Hooson, a senior vice-president and former director of European operations of Benson and Bowles, the advertising agency.

Mr. Hooson, who will take up his position full time on January 1 next, will be the party's senior executive in the field of communications, which covers public relations and publicity as well as forward planning. He will report directly to Lord Thorneycroft, the party chairman, and will have direct access to Mrs. Margaret Thatcher, the Tory leader.

## Select Committee motion on corruption next week

MPs WILL decide on Monday what to do about allegations stemming from the fact that Members had not been prevented from accepting bribes and corruption charges against MPs, while carrying out their Parliamentary duties.

Announcing next week's business, Mr. Merlyn Rees, the Home Secretary, acting for Mr. Michael Foot, Leader of the Commons, said the Government would be tabling a motion

## LABOUR NEWS

# BP men set for strike at Scots chemicals plant

BY DAVID CHURCHILL, LABOUR STAFF

WORKERS AT British Petroleum's chemicals plant at Grangemouth, Scotland, yesterday began to shut down production facilities in preparation for a total strike from Monday morning over a claim for improved fringe benefits.

Union officials at the plant said that the strike could halt the flow of oil from the Forth. Field in the North Sea, which provides up to a fifth of Britain's oil needs. But BP last night rejected this view.

It did admit that the production of chemicals such as styrene and high density polyethylene would be seriously hit if the strike went ahead.

About 140 supervisors at the plant, members of the Association of Scientific, Technical and Managerial Staff, began to shut down production yesterday for safety reasons.

This followed yesterday's decision by the 2,000 workforce, represented by the Transport and General Workers Union and the Amalgamated Union of

Engineering Workers as well as ASTMS, to stop work and occupy the plant from six o'clock on Monday morning.

The workers are basically seeking a two-thirds increase in pensions to bring them in line with other BP employees at nearby plants.

They claim that since the chemical works were taken over by BP from British Hydrocarbon, their pension scheme is now proving to be insufficient.

The problem has intensified. A union official said last night, a considerable proportion of the workers are approaching retirement and several months of talks have failed to improve the situation.

National officials of both the TGWU and AUEW yesterday recommended that the workers should not strike but continue to take the dispute through traditional negotiating procedures. But this was rejected by the workers.

Materials likely to be affected by the strike include petrochemicals such as ethylene, propylene, butadiene, styrene, acrylonitrile, phenol, ethanol and high density polyethylene.

## Night work bar 'should not stop equal pay for women'

BY CHRISTIAN TOLSON, LABOUR STAFF

AN IMPORTANT interpretation of the Equal Pay Act was made by the Employment Appeal Tribunal yesterday concerning the issue of women employees barred from better-paid night-shift work.

Mr. Justice Phillips, president of the tribunal, said: "We have come to the conclusion that in the context of the Equal Pay Act, 1970, the mere fact that the work is performed should be disregarded when considering the differences between the things which the women do and the things which the men do."

Mrs. Thatcher asked Mr. Callaghan if he thought "soft soothing words" would have any effect—especially in the light of the Prime Minister's threat to withdraw the British Army on the Rhine.

Mr. Callaghan replied angrily that she was misrepresenting what he had said, and misunderstanding the situation over representations to the Russians. These matters were best conducted privately—they had an impact.

Mr. Callaghan finally stood up and commented: "I just wanted to give you the chance to have a Tory retort. 'It hasn't started yet.'"

Mr. Callaghan was constantly interrupted—and as he began with "insulting words..." Tories chorused: "The truth, the truth."

When he could make himself heard Mr. Callaghan said: "I am sorry that I am not making a good relations between us and a very powerful country which is of great importance to Western Europe."

Amid shouts of "which side are you on?" from "Crossers" in the gallery, the Prime Minister said Britain's attitude should be in the words of Sir Winston Churchill—"jaw, jaw is better than war, war."

Left-winger Mr. Eric Heffer (Lab. Wallingford) condemned the Prime Minister's threat to withdraw the British Army on the Rhine.

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## Ban sought on foreign hotel workers

NO PERMITS should be issued to foreign workers seeking jobs in Britain's hotel and catering industry next year, TUC lead yesterday.

Permits are not required for workers from Common Market countries, but in the past foreign workers in hotels and restaurants have come from Spain, Malta and the Philippines. It is these workers who are being prevented from coming in if the TUC proposal was adopted.

Last year the quota of permits for the industry was set at 8,000 but for this year the Government reduced the number to 6,000. The industry would limit its employment of foreign workers to below this figure.

By the end of the year, expected that only about 1,000 foreign workers will have issued with permits.

The TUC representatives expressed their appreciation of the recent "blitz" carried out by inspectors on infringements, with a minimum wage in a number of towns.

They want the Government to take a more vigorous attitude in prosecuting for paying below the statutory minimum wage. Mr. Grant said the point would be considered.

## Labour MPs call for probe into Courtaulds' closure

LABOUR MPs from the North-West of England yesterday called for an investigation by the Departments of Industry and Employment into the proposed closure of the Courtaulds' plant at Skelmersdale.

Later they met representatives of the North-West Economic Development Association to explore methods of combating this and other Courtaulds' closures.

A statement said: "The news of the impending closure at Skelmersdale is a bitter blow to the whole of the North-West region, the more so since it follows disclosures of similar shutdowns in Flintshire, in Wales, and the threat to the Courtaulds' plant at Aintree, Merseyside."

It appears that no advance warning was given of the intention to cease production at Skelmersdale and the attitude of the company warrants immediate investigation by the Departments of Industry and Employment, especially since Courtaulds has received lavish grants from public funds for many years."

"This aspect adds concern to the overwhelming anxiety at the loss of many thousands of jobs in an area already stricken by high unemployment."

The statement was issued by Mr. George Rodgers, the group's chairman and MP for Chorley, after a meeting on Wednesday night.

## Basnett wants shake-up in EEC jobs policy

SUBSTANTIAL measures to create employment and direct stimulation of investment would be needed to tackle the EEC's structural unemployment, Mr. David Basnett, general secretary of the General and Municipal Workers Union, said at a meeting of the EEC economic and social committee in Brussels yesterday.

Mr. Basnett said that the objectives set out by finance and employment Ministers, "emphasising the need to be met by conventional economic means. The EEC Commission's forecast of 7-8 per cent inflation rate for 1977 was under threat from rising food and raw material prices under the Common Agricultural Policy."

The EEC co-ordinating committee for the industries complained of delay in applying the Multi-Fibre Arrangement, an excessive concessions granted under it, the absence of accurate up-to-date information on import trends and above all "the failure to take an overall view of the Community's import burden."

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## Threat to bone-marrow aid

TWO MEMBERS of a medical project aimed at finding donors for victims of bone-marrow deficiency disease face dismissal because of the way hospital authorities interpret the Trade Union and Labour Relations Act, it was claimed yesterday.

Other members of the project, the Anthony Nolan Bone Marrow Appeal, fear the best of the staff may face similar action when their contracts come up for renewal, if £36,000 cannot be raised.

The project has to guarantee the salaries of its staff for two years because of the way the Westminster Hospital Authority interpret the Act, according to a spokesman for the

Relations Act allows people to be dismissed only if they are found to be in breach of their contract. If their contract is for less than two years and they are dismissed at the end of it, they are not entitled to compensation.

But contracts over two years can be waived if the employer can show that the dismissal was "for some reason connected with the business."

The Department of Employment said that the point would be considered.

The TUC representatives expressed their appreciation of the recent "blitz" carried out by inspectors on infringements, with a minimum wage in a number of towns.

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# The Property Market

BY QUENTIN GUIRDHAM

## Prime is 6½% says Richard Ellis

THE largest of the property funds, Abbey Life, yesterday announced the result of the first major revaluation since the drop in values caused by MLR. Richard Ellis is the main valuer (Cluttons, who marked down Save and Prosper's Property Fund by 10 per cent, last week cover Abbey's agricultural investments) and the result of their work is a reduction of 4½ per cent. But that overall percentage does not explain what has happened to the U.K. property valuations.

Blanket figures for these funds, which are naturally being watched closely at present to establish a new level of values, need to take into account the shape of individual funds. Abbey is just over 20 per cent. Liquid, so that portion is unaffected, though eventually the higher interest rates produce a noticeable income increase. Then there are 18 per cent. of property assets abroad, on which the sterling exchange gain was over £1m. last week alone (there was also a minor upswing, due to a review and lettings, on a shop block in Rotterdam). And the 5 per cent. of the fund in agricultural land has not been written down.

Of the slightly under 40 per cent. of the total Abbey fund (valued at £209m.) which is in U.K. properties, only eight holdings had previously been valued on the basis of 5½ or 5½ per cent. yields. These were

mainly shops, though one of the three 5½ per cent. holdings was a new office building, let to the Water Board, in Bath. Ellis has moved its lowest base for valuation up to 6½ per cent., indicating an 18 per cent. drop in value for the holdings previously rated at 8½ per cent.

On the holdings previously valued at between 6 and 6½ per cent., again mainly shops, Ellis has moved these towards 7 per cent. Some of the percentage falls in value here are again quite steep, but on the bulk of the fund, previously valued between 7 and 9 per cent., the drops are less acute.

Some good industrials have been moved only from 8 to 8½ per cent., some equated yields of around 9 per cent. on reversionary properties have not been altered at all, so that the yields on most of the holdings have moved only a quarter or half per cent., and it is not until reaching odd secondary properties that a jump of a full point has again been made.

So Ellis has concluded that prime property can only rate 6½ per cent. (they included in that rating the classic Princess Street, Edinburgh, shop unit). There are a few portfolios where many holdings could recently have been sensibly valued at yields of under 6 per cent., but for those where one or two large prime buildings form the bulk of the company or fund, the implications of this assessment of present values must be serious.

### Brooklands project

The £8m. which Vickers and GEC paid for 265 acres of Brooklands, near Weybridge, Surrey, may take a long time recouping, but

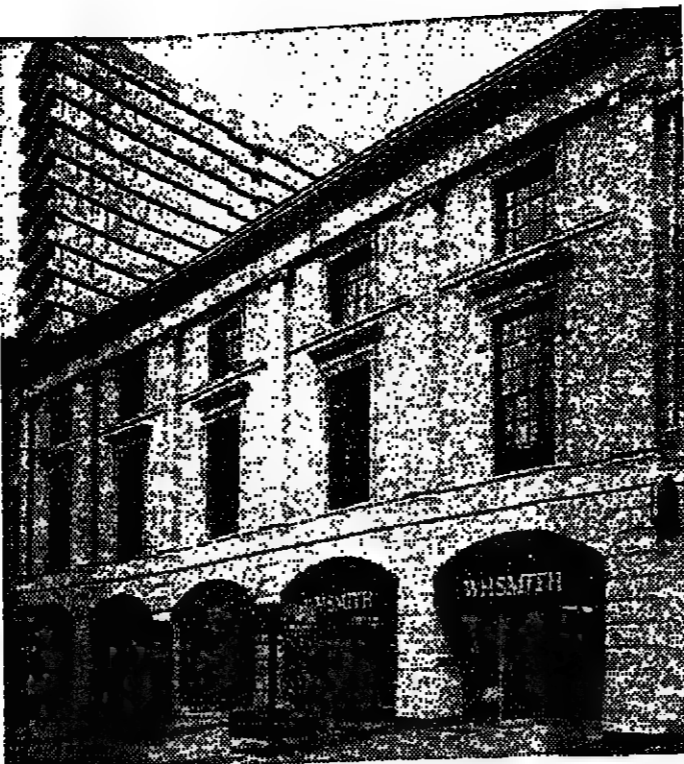
a start has now been made in marketing the 14m. square feet of existing factory and warehouse space. This was the old West Works of the British Aircraft Corporation and before that Vickers. It is historic territory, for apart from the remains of the old racing track, there were 11,000 Wellingtons built at Brooklands during the war and Vickers first went on to the site in 1910.

BAC is still at Brooklands, making bits of the One-Eleven, MRCA and Jaguar in its works on the other side of the River Wey, but, having decided to close the West Works, it sold the major area in 1974 to Oyster Lane Properties, a company jointly owned by BAC's two shareholders, Vickers and GEC. At the time, such a quantity of land and buildings in mid-Surrey looked a worthwhile property investment to remove from the aircraft group and develop separately, with BAC's likely nationalisation a possible spur.

The price of £8m. was settled on a valuation by Fuller Peiser, now project managers and sole letting agents. The climate has changed since early 1974. Sir Archibald Hope, group treasurer of GEC, says, "If anyone would like to pay us that to-day, plus interest, we'd take it."

There are, for the moment, only 85 acres on which industrial lettings will be done, and the planners have indicated that, even on this area, maximum utilisation would not be acceptable. Hence the concept of a widely laid out industrial park. But permission has been won to alter an initial 500,000 square feet from industrial to warehouse use, with the rest as Class Three usage.

While the general location suggests a good demand, the immediate access could be much



An interest in the Leeds Library building in Commercial Street, probably the prime shopping street in the city, has been sold to the Save and Prosper Property Fund. S and P have taken a 130-year lease, with the library taking a lease for the same term, at a peppercorn rent, on its premises upstairs. The library and S and P then share the rents from the two shop units, let to W. B. Smith and the United Drapery Stores (Alexandre). The Smith's lease is highly reversionary and, while initial yield is just over 4 per cent., S and P reckons an equated yield of 9½ per cent. for the £260,000 it has paid. The building is 1896 and the library, the oldest proprietary library in the country, gets some capital to invest in preserving rare archive material. The modern building behind is MEPC's West Riding House. Hill Welsh introduced the deal and Healey and Baker acted for S and P.

Improved. That depends on the listed as of historic interest, M25 being finished, which would provide a junction within two miles and the possibility of a link road, included in the Surrey Strategy Plan, which might even run through the non-industrial site, close to the runway (the airfield use ceased some years back but the memory will be pre-served as there is a small hut, did not finally leave the West

Works until the end of 1975—they have had inquiries of some sort for over 2m. square feet.

For some older buildings, where Oyster Lane Properties is offering short-term tenancies with a view to eventual redevelopment, there are already two takers, among the permanent structures, one of the hangars where VC-10s were built. This is a very tall building, and the potential tenants described as the distribution side of a national wholesaling and manufacturing company, are thinking of using the height to rack their stores up to 40 feet.

Of all the varied size of buildings—there is one 300,000 square foot unit but they go down to 10,000 square feet—Oyster say they will normally wait to hear tenants' requirements before making alterations. The rents being quoted are around £1.2 square foot on the short-term buildings, and £1.50 a square foot or higher for new or improved buildings on longer leases.

## MPs query Government office costs

WHILE ITS strictures about government aid to workers' co-operatives attracted most attention, the report from the Committee of Public Accounts also indicated that the MPs concerned are maintaining their interest in how civil servants are housed and at what cost. What the committee particularly latched on to, in interviews with Property Services Agency officials, was the cost of occupational works carried out on new leased office buildings in London. The PSA reporting during hearings earlier this year, that it was spending £50m. to adapt for use as government departments four blocks of Queen Anne's Mansions, Beckenham House, Fleet Bank House and Ashdown House. The committee, in its report, reckons that is too much.

It is "concerned at the extent and substantial costs of the works needed to prepare and adapt new buildings in London for occupation... We urge the Agency, when they have a firm interest in leasing a building at an early stage of development, to make the utmost efforts to persuade the developer to incorporate in his plans their probable requirements for such basic services as air-conditioning, lighting and power circuits, ventilation ducts etc."

In this respect, the committee appears to have been most worried by the case of Land Securities' Queen Anne's Mansions, where the Government agreed to lease the 318,000 square feet building in 1968. But on completion this year, works on partitioning, acoustic ceilings, additional lighting, power and telephone ducts, conveyors, Ministerial suites and other matters were expected to total £2.1m.

Apart from the money spent on these occupational works, the committee was bothered where time factor, particularly where it meant rent being paid for long periods before the buildings were occupied. In this sense Fleet Bank House (11 months) and Ashdown House (12 years to full occupation) seemed the worst examples.

One point to emerge in the evidence was that, despite the informative literature put out by the PSA on more modern and open office lay-outs, the message is not apparently getting through. Bureaucrats continue to love partitions.

The single item which took up most time in hearings was the question of whether the Government would do better to build or rent its offices. While it was admitted then, and would be even now, that it was not the time to increase Government borrowing, the MPs clearly thought the economics of leasing rather than building were largely unproven and asked the civil servants to draw up papers on the subject.

"It really is not possible," said Edward du Cann, "in the context of a borrowing limit of £12bn. to argue that it would be quite wrong to let the Government build one building which would cost, if rented from a developer, £1m. a year."

It is a persuasive case, as the former chairman of K. Gilmann knows, that it is an order of return developers make these days.

## OUT AND ABOUT

● The former Research Production premises owned by Baker Perkins Holdings, Twyford, Berkshire, have been sold by Westhale Group, Smith at a figure said to be £255,000. The purchaser, the Mentholum Company, will use the premises for its own research and production purposes.

● The property in Long Road, Twyford, has been developed piecemeal over a number of years and the buildings are all single-storey, provide a total floor space of 41,051 sq. ft. and include workshops, storage and facilities.

● Artagen Properties have their entire development, Avonmouth Way, Avonmouth, Bristol, for use as a discount warehouse. The building comprises 94,500 sq. ft. of warehouse and office space, constructed with steel frames and with facing work and insulated and plastic-coated sheet steel. The building is completely detached on a site of 4.25 acres, which incorporates parking in excess of 140 cars.

The tenants have taken year lease at £90,000 per annum and are intending to open new discount warehouse in 1977. The joint letting was handled by Taylor Cook & Partners Bird and Partners.

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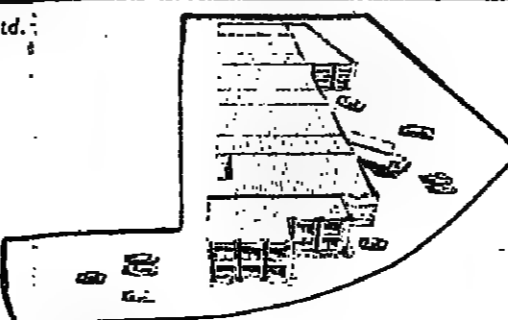
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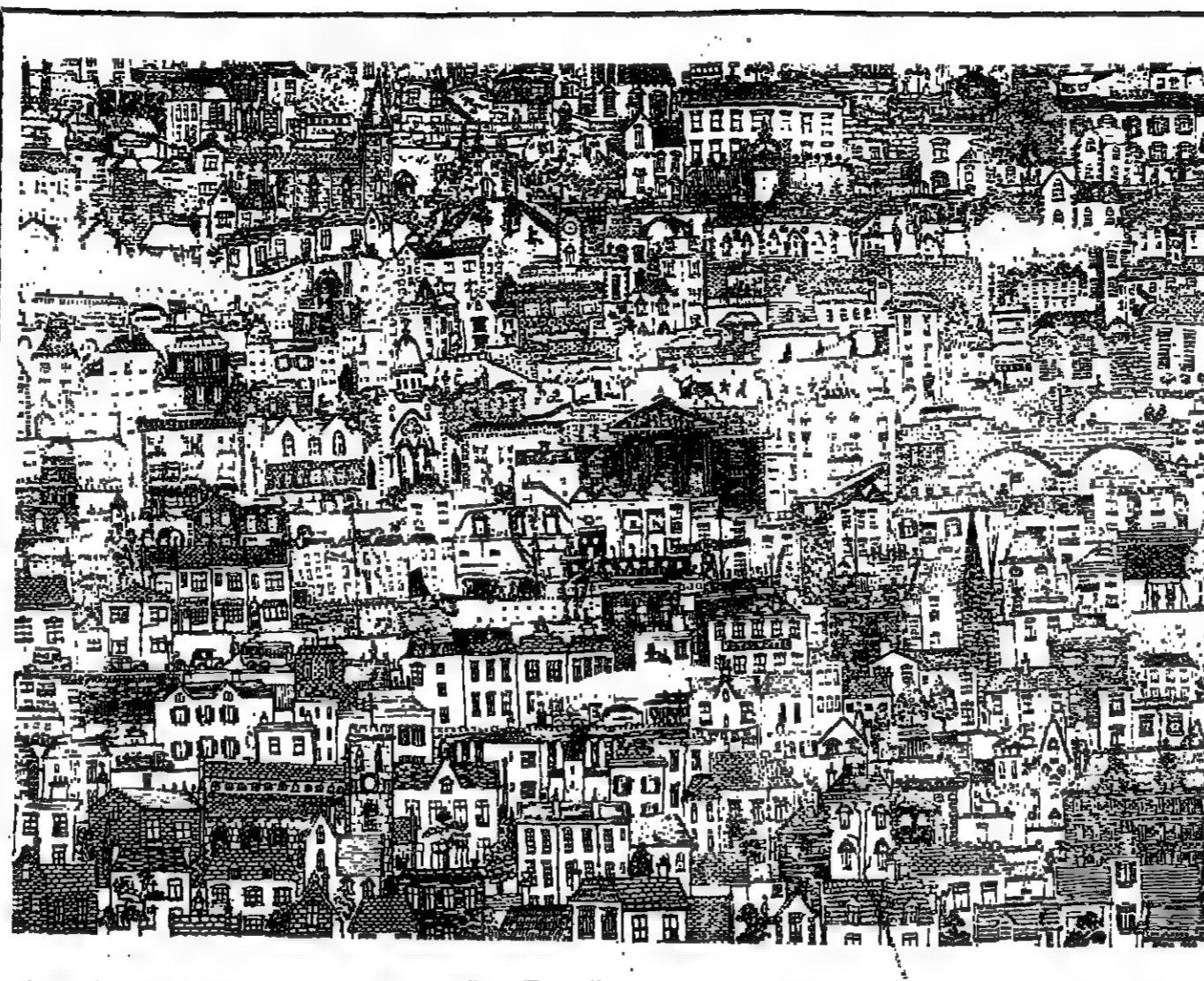
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Large selection of retail stores and shops for sale or to let throughout the Midlands Area and elsewhere, in both prime and secondary locations, ranging from 500 sq. ft. to 10,000 sq. ft. in size.

### Locations include:

Birmingham City Centre and Suburbs.  
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## NEW SHOPPING DEVELOPMENTS

Town Centre and Suburban shopping developments including:

Birmingham—City Centre, Castle Vale, Four Oaks, Yardley, Acocks Green.  
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A prestige development close to place Stéphanie containing a commercial shopping gallery. Fully air-conditioned offices, flats and apartments. Just completed and available with immediate possession.

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# INTERNATIONAL HOUSE SW9

Prestige Air Conditioned Office Building.  
10 Minutes from West End • 15 Minutes from City



Adjoining BR  
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Underground Stations

**54,710 sq. ft.  
To Be Let**

Exceptional  
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**10,775 sq. ft.**

**FOR SALE FREEHOLD**  
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**SHORT TERM LET  
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**about 100,000 sq. ft. on 3.5 acres**

- ★ Covered tail-board loading bays
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Each producing:

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Requires property on long lease  
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Central Position  
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**Compact Offices  
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A new office building within the original walls

- 28,500 sq. ft. net To Let.
- Only minutes from M4,  
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- No user restrictions.

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New Office Development  
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**MEADOW HOUSE  
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- LIFT
- CARPETED THROUGHOUT
- LIGHT FITTINGS
- CENTRAL HEATING
- CAR PARKING



27 London Street  
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Entire Office Building in SW1

**TO LET**

**58,000 sq. ft.**

• Air conditioned • Lifts • Fully fitted  
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window frontage

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**SUPERBLY  
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3,420 sq. ft.

Lift • C.H.  
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Less Than  
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**NEW  
PRESTIGE OFFICE  
BUILDING**  
Close To  
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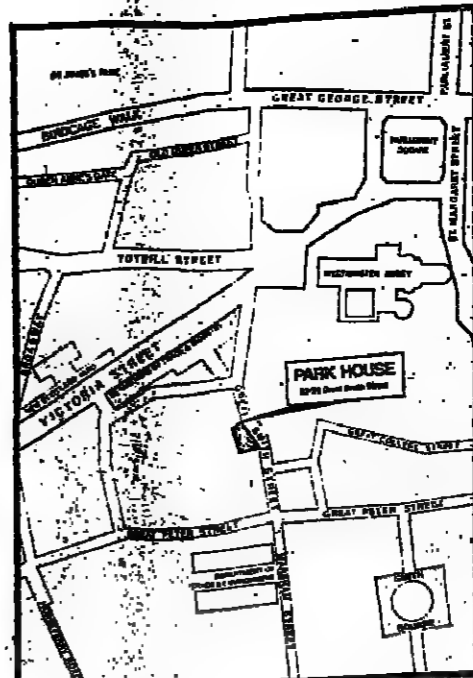
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## PARK HOUSE

22/26 GREAT SMITH STREET  
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**FREEHOLD OFFICE PROPERTY**

FOR SALE BY AUCTION - WEDNESDAY 9th DECEMBER 1976 - 3 PM  
LONDON AUCTION MART Fur Trade House 25 Little Trinity Lane EC4  
AT THE LOW RESERVE PRICE OF £300,000



One of the finest  
office locations in  
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close to the  
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BUILT FRONTAGE  
about 128 ft.  
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about 84 ft.  
TOTAL NET FLOOR AREA  
sq. 21,050 ft.

Part of the property is let and producing £31,750 p.a.  
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Established 1820 in London

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ASSOCIATED OFFICES PARIS BRUSSELS AMSTERDAM & JERSEY

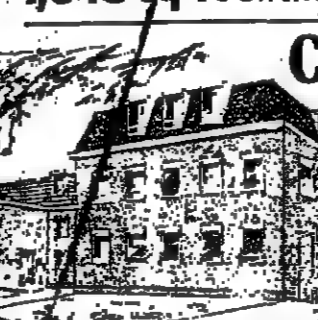
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**SUPERB NEW  
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6,754 sq. ft.**

Centrally situated close to main  
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- Gas-fired Central Heating
- 10 Car Parking Spaces
- Automatic Passenger Lift
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- M1 2 miles
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- 36 mins. by train
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Centrally situated NEW OFFICES  
7,540 sq. ft. On two floors with on-site car parking.



**CARDINGTON RD. BEDFORD**

**PRESTIGE HEADQUARTERS**

**BUILDING 16,200 sq. ft.**

In landscaped grounds overlooking  
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- Air conditioning throughout
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- Excellent natural light
- Easily divided into 2 units
- 50 miles from Central London
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- Excellent rail links to London  
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**Chailey**

**build for business**

Chailey Developments Limited, Royce House, Liston Road, Marlow, Bucks. Tel: 06284 8822

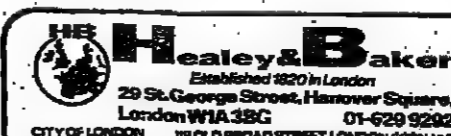
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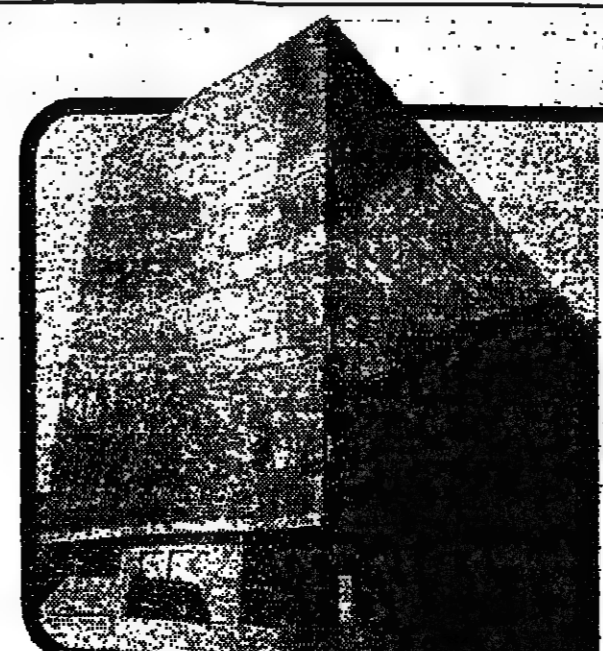
**OFFICES TO LET**

Available in floors or units  
from approx. 3,960-33,785 sq. ft.

- centrally located for city and west end
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**A Bristol  
Office...  
with a  
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Temple Way - fronting the  
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provides fine carpeted offices  
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Newly completed and finished to an exceptional specification  
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Modernised Offices

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25,000 sq. ft. approx. of Offices on three levels in varying sizes  
In addition, seven x two-bedroom flats available on upper floor  
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COMMUNITY Executive WANTED. Chartered  
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GOODSTONE, SURREY. Investment. 35  
acres. 100 ft. x 27.547 p.a. 01-222  
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INVEST IN LAND with the Stewart  
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**WANTED****INVESTOR**

invites propositions from agents,  
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Details to Box T.4455, Financial  
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**Available now  
Amethyst House  
Spring Gardens,  
Manchester**

A superior air conditioned  
office building, located in  
the heart of the city's  
financial area

**TO LET**

27,700 sq. ft. as a whole  
or in parts

For details apply to

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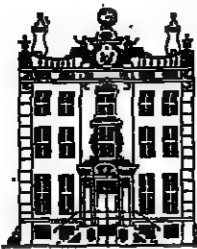
20-21 Albert Square, Manchester M2 5PE  
Telephone 061-633 9991

**INTERNATIONAL PROPERTY****Stylish Office Premises  
to let on Herengracht in Amsterdam.**

A row of stylish office buildings, situated in one of the  
most distinguished parts of the Amsterdam city centre, the  
financial heart of the Netherlands, the 'Golden Bend'.  
The offer is highly varied from

200 m<sup>2</sup> up to over 18,000 m<sup>2</sup>.

The buildings are in an excellent condition. We will be happy  
to make an appointment at our Herengracht Information  
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Prinsengracht 255-257  
Amsterdam. Tel. (020) 240363

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**For Sale  
CITY  
CENTRE  
HAMBURG**

Office block, 100 yards from  
Mönckebergstrasse, approx  
80,000 sq. ft. lettable area,  
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14.5m. Also to let at approx.  
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Tel. 0104940/22 30 63-66



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In South Germany, near Lake Constance, beautifully  
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For Sale as a Unit

THE ASSETS OF MARFORD HOLDINGS LIMITED

(IN LIQUIDATION)

ARDFINNAN, CLONMEL, CO. TIPPERARY

The products of Marford Holdings Limited comprised  
high quality sueded lambskins sold under the name  
Leidersdorff produced in a single-storey factory of  
approximately 45,000 sq. ft. on a 4.5 acre site in  
Ardfinnan, Co. Tipperary (nine miles from Clonmel).  
The factory is equipped with modern machinery  
with a capacity to dress and dye 7,000 plus quality  
lambskins per week. A trained labour force is  
available locally.

Substantial modern office premises as well as a  
private residence are also available.

For further details, apply to:

Laurence Crowley, F.C.A., Liquidator,  
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Stokes Kennedy Crowley & Associates,  
Harcourt House,  
Dublin 2,  
Republic of Ireland.  
Tel: Dublin 757971. Telex: 4494 SKCEI.

**FOR IMMEDIATE SALE**

High Quality Alloy Steel Manufacturer

INCLUDING

Quality Stainless Carbon and Ferro-Alloy

Foundry

Turnover £3.4 million

Located Sheffield Area

Contact: Mr. Morris or Mr. Houghton  
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**FOR IMMEDIATE SALE**

Special Engineering Cutting

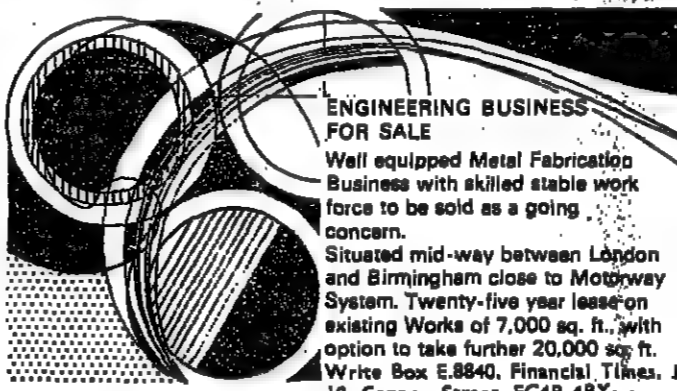
Tool Manufacturer.

Turnover £500,000

Located close to Sheffield City Centre.

Contact: Mr. Morris or Mr. Houghton.

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**Office Furniture Business**

Office furniture business based at Tring, Herts., for  
sale, manufacturing high quality cabinets and desks.  
Established 1965. Leasehold premises 14,000 sq. ft.  
Turnover approx. £250,000 p.a. Principals only  
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Isoplan Furniture Ltd., c/o Joselyne Layton-Bennett  
and Co., 39/45 Tottenham Court Road, London  
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**EXPANSION MINDED!**

Metal fabricating and welding business,  
with well equipped shops and land for  
future expansion, available for sale.  
West of London, with easy access to  
M4, M40 and London Airport.  
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Expanding business necessitates  
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of majority of share capital offered  
at a price of 50p. Share.  
Please write to:  
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MOTOR TRADE  
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A Public Company has a medium  
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as a going concern.  
The dealership is located in the  
South of England and holds a  
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The sale price is realistic and in-  
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DOLLARS FOR POUNDS!

NO PREMIUM

Unique opportunity to acquire luxury  
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with semi-absentee management. En-  
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at Bank Rate on closing date. Prin-  
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Scottish fabricating Company,  
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Prime sites in Grouy and St. Helier,  
Modern and in excellent condition.  
Offers for group or individual hotels  
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**WOOLLEN FABRIC**

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for sale as going concern. Knitted  
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excess of £100,000 p.a. Substantial  
tax losses available.  
Write:  
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GROUP

A Young Rapidly

Expanding chain—

8 High Street Shops

unable to achieve adequate return on  
investment capital wishes to sell  
business as a whole. Ideal for existing  
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goodwill, fixtures and fittings, £80,000  
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**RETAIL TOY GROUP**

£400,000 CASH FLOW P.A.

Five superbly fitted shops in prime

Home Counties under cover of ware-

house and offices. Fully staffed. Gross

profit 40%. Net profits exceed

£40,000 p.a. Escab. 1972. Founder

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A. Rawlings & Co., 140, High Street,  
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Holding in private sale of Man limited

company with wide variety of incor-

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**BUSINESSES WANTED****PURCHASE OF SCAFFOLDING  
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A public group of companies already involved in  
contracting operations wishes to acquire additional  
scaffolding and plant hire business. We wish to  
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**PROPERTY COMPANIES**

We are an International Organisation seeking to  
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Centuries old country free house and club of traditional brick  
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1.5 acres, cottage in need of renovation, enormous unexploited  
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**AN EXCLUSIVE PRIVATE**

DINING CLUB

situated in a pretty country village  
for sale as a going concern including  
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Chartered Surveyors.

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REQUIRED**

£588,000 CASH

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erty company holding good  
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realistic rentals.

Replies in confidence to—

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with good growth potential. If your  
business is for sale or requires addi-  
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Cannon Street, EC4P 4BY.

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LONDON AREA

WANTED

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Write Box E.8873, Financial Times,

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TONIGHT 7.30. Cavalleria Rusticana. 01-232 3181.

TONIGHT 7.30. Don Giovanni. Wed. 7.00.

COVENT GARDEN. 240 1066. (Garden-  
change credit card bookings. 030 6903)

TONIGHT 7.30. Macbeth. Thurs. 7.30.

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# The Management Page

CONSUMER AFFAIRS IN AMERICAN COMPANIES

## A new job title to meet a craze

AMERICAN BUSINESSMEN have not shown any more enthusiasm by and large for the demands of consumer pressure groups than have their British counterparts. But they have been rather quicker to exploit the trend so that almost every self-respecting commercial organisation in the U.S. now seems to have someone on its payroll with the word "consumer" in their job title.

More than 300 American companies have now formally established a separate consumer affairs department, some of them employing over 100 people each.

Western Union Telegraph recently appointed a former member of the Federal Trade Commission at a salary equivalent to more than \$30,000 a year as its vice president in charge of consumer affairs. The Coca Cola hired the former director of consumer protection for the State of Michigan, President Ford, after the style of President Johnson, as his own consumer affairs adviser while President Johnson's ex-adviser, Mrs. Esther Peterson, now works for the food chain.

The consumer affairs executive is one of the newest and fastest growing additions to the corporate hierarchy of American business. Dismissed by some as the pressure groups as mere window dressing, the breed of executives — many of whom are female — started emerging in the late 1960s and blossomed in the early 1970s. Their development was due to a number of factors, not the least of which was the increase in anti-business feeling in many quarters and the mounting criticism of consumer activists.

### Bandwagon

Some companies were looking for a way of dealing with sophisticated consumers and others distaste with the depersonalisation of the marketplace, while others were primarily concerned with improving their image and saw the burgeoning consumer movement as a worthwhile bandwagon.

While some companies merely changed the title of their public relations departments, others created new powers. When, for example, Mrs. Esther Peterson,

the acknowledged queen mother of consumer advisers, joined Giant Foods she was told she could try anything as long as it did not affect the company's profitability. Such new powers were not, of course, entirely altruistic but amounted to a recognition of the fact — long repeated by management but not always reflected by their actions — that better consumer service can mean higher profits.

But the move paid off for Giant, which staged something of a public relations coup in getting Mrs. Peterson — once described as the "greatest threat to private enterprise in America" because of her affiliations both with Johnson and the

consumer affairs departments over the past few years. Three years ago the consumer advisers formed their own association — the Society of Consumer Affairs Professionals (SOCAP). It now has some 600 members who periodically meet to examine their consciences and to try to define their function. According to a survey carried out by the business-financed Conference Board on consumer affairs departments, three-quarters of those studied had been formed during the last five years. Just over 60 per cent of them operated as self-contained units and reported to general management — rather than, for example, being part of a marketing division — while 18

take consumers seriously was a problem, as was putting the message across to the other autonomous groups within companies and obtaining enough money to perform their job properly. Sometimes it seems that while top management may be attracted to the idea of consumerism, middle managers are less impressed.

### Cosmetic

The critics of these newly-created departments, which are usually staffed by people with backgrounds in either marketing or product service, claim that all too often the reorganisation is little more than

that her soul has remained so lucky. The consumer affairs adviser of one big food group complains bitterly — but anonymously — that the management only listens to her when it suits them. "They appointed me as a knee-jerk reaction to consumerism and now they don't know what to do with me."

Mrs. Virginia Knauer, President Ford's consumer affairs adviser, says she welcomes the way companies have put new stress on the consumer side of the business. As a good Republican herself, Mrs. Knauer favours the voluntary approach to improving the consumers' lot rather than legislation and points to the way food retailers have voluntarily adopted unit pricing in response to consumer demands.

### No conflict

In her view there is no conflict between what is good for the consumer and what is good for the company. In a competitive market, she says, good customer service will show up in the profit figures. "Consumerism is a competitive device and he who survives the test is in for a pleasant surprise in the balance sheet."

Whatever conflict there may be between company and consumer interest becomes even greater if the definition of the consumer is expanded — as the Nader groups and some others would like it to be — into the broader definition of anyone who is affected by a company's activities. A reduction in the air pollution round a factory, for example, might be in the interests of the consumers of that air but it might equally well mean less profit for the company running the factory. According to Mrs. Knauer, it's all a question of balance: "There has to be give and take on all sides" but for the person in the middle, it could be difficult.

American business is now reacting to consumer pressure groups by creating special consumer affairs departments in companies. ELINOR GOODMAN, who recently visited the U.S., looks into how effective these new specialists can be in influencing policies.

union movement. Not all her moves were successful — she had to accept that a plan she drew up to put soft drinks into safer containers was a money-loser. But other innovations she helped introduce, such as unit pricing, a shopper's "bill of rights" based on President Kennedy's Consumer Bill of Rights, open dating, the right for an unconditional money-back guarantee and the dropping of trading stamps, appear to have been appreciated by shoppers who pushed up the company's share of the food trade in Washington by 8.7 per cent points over six years.

Not surprisingly, in view of Giant's experience, almost all the major American supermarket groups now have senior consumer affairs advisers — some also have consumer advisers in their stores.

But the growth of consumer affairs departments has gone far beyond retailing and other industries which have direct consumer contact. The New York Life Insurance Company, the Ford Motor Company, Corning Glass Works and the Zenith Radio Corporation have all organised and regenerated their

per cent, reported to the public relations executive. The exact responsibilities of each consumer department obviously differed but among the functions most commonly listed were complaints handling, communication with consumers, liaising with consumer groups, and acting as the company's internal consumer ombudsman. The common management view in the companies studied was that the cost involved in setting up such departments was worthwhile because the consequences of continuing without them would have been more expensive.

Just how much real powers these advisers have on behalf of the consumer is a matter of debate and the consumer groups tend to be suspicious of most of them. Few advisers for example have as much theoretical power as Gillette's vice-president of "Product Integrity" who has authority to recall defective products and quash any advertising claim which might be against the consumers' interest.

A survey of its members carried out by SOCAP showed that persuading company managers to

cosmetic. They say that the departments do not reflect any real change in thinking although some acknowledge complaints are dealt with more quickly. As members of a new profession, the consumer affairs advisers are themselves still exploring their function. Some say that their job is to act both as a consumer's ambassador in management and the management's ambassador to the consumer. Mrs. Peterson, however, says it is impossible to combine these functions and that the priority must be to represent the consumer's interest to management. Even so, rather to the surprise of some of her colleagues in the consumer movement, she has agreed to appear in commercials for Giant, provided she approves the product.

She says she accepts that companies are not in business to "provide social welfare. If I am used for PR sometimes, OK. You can't be a purist in this game." Now around 70, Mrs. Peterson will soon retire but most of those who criticise the proliferation of consumer affairs specialists would say

U.K. SALARY SURVEY

BY NICHOLAS LESLIE

## More employees receive free medical insurance

AN INCREASING number of companies has been providing executives with free medical insurance in the last five years. However, the growth rate of such insurance — disclosed in a survey published yesterday — has been restricted in the past year, possibly because the Government has extended the tax liability on this fringe benefit.

The survey, produced by Inbucon/AIC Management Consultants, also examines managerial pay and finds that while the average salary for managers rose by 61.3 per cent, gross 51.7 per cent, net in the four years to July 1, 1976, the Retail Price Index increased by 83 per cent in the same period.

The survey says it is clear that the national pay policy "has been very closely followed," in the year under review when the average gross salary increase of people covered in the survey was 7.5 per cent, or £494. But it is pointed out that the survey starts from July, 1975, whereas the £312 a year limit was introduced in the August. This indicates that a lot of companies were paying out salary rises in the month prior to introduction of the policy.

### Increase

The rate of salary increase was therefore considerably less than the 23 per cent, seen in the previous 12 months which gave rise to an average salary rise of £1,224 a year.

The U.K. Inbucon survey covers 572 companies and 7,044 executives. Of the companies, 255 participated in the 1975 survey while 22 per cent of them were U.S.-owned and 8 per cent were subsidiaries from other foreign countries.

The percentage of people given free medical insurance has more than doubled over the past five years. In 1971, 17.5 per cent of employees covered in the survey received this insurance. By 1975 this had risen to 28.4 per cent, and by 1975 it was 37.9 per cent. However, notification by the Government in 1975 that from this year everyone would be liable to pay tax on insurance premiums paid by companies

had a marginal effect and the percentage dropped slightly to 37.3 per cent, by July, 1976. Not unexpectedly, company cars figured high on the fringe benefit list. They were allocated to 51.6 per cent of the employees surveyed in 1971 and 62.3 per cent in 1976. However, the most widely enjoyed fringe benefit was subsidised lunches, which were available to 67.3 per cent in July this year.

### Typical

From its statistics the survey describes the typical U.K. executive as aged 44 and having been with his company for 13 years and in his present job for five years. He has a company car, a contributory pension scheme and he has four weeks' holiday a year. His salary is £7,118 and he pays tax of £1,923. Any rise this year can only be £208, or 3 per cent, of gross salary, which compares with a 14 per cent or more annual rise in retail prices. The survey comments: "His morale is unlikely to be high."

Of the executives covered in the survey, 74 per cent earn more than £5,000 each, assuming a man is married with two children but has no mortgage interest or other similar allowances — produces £3,822 net. Of the remainder, 15 per cent earn over £10,000 (£6,823 net), 3.6 per cent earn over £15,000 (£8,393 net) and 1 per cent over £20,000 (£9,728 net). The highest salary recorded exceeded £50,000 (£18,955 net).

In a breakdown of industrial groups, managing directors of companies making pharmaceuticals and toilet preparations emerged as the best paid with an average salary of £17,383, whereas the same position in mechanical engineering commanded only £11,520. Respective salaries for the middle manager of a unit within these types of company were £5,194 and £4,842.

The average salary of a managing director varied considerably according to the number of employees — £10,476 with less than 250 employees, £13,226 with between 500 and 999, £18,145 between 3,000 and 4,999 and £29,850 with 10,000 and

above. Salaries for personnel executives rose similarly from £4,968 to £6,123, £7,806 and £10,239. For production controllers the figures were £4,192, £5,137, £6,089 and £8,192 and for heads of research and development they were £6,474, £8,806, £9,063 and £13,541.

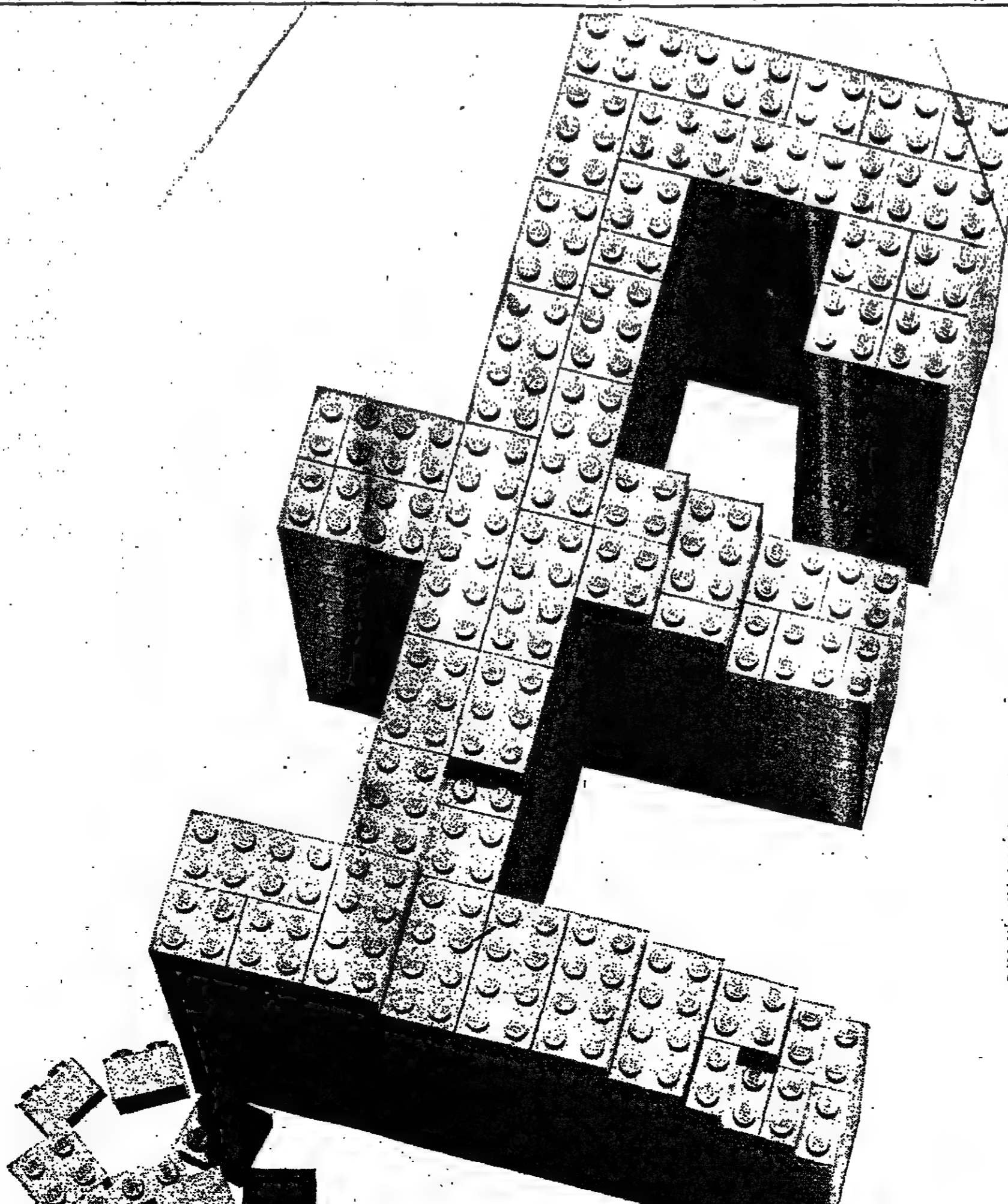
The survey also looked at the proportion of managers who have a qualification, either academic or professional, which is specifically appropriate to their job. Finance and research executives were the most qualified. Among 731 financial executives polled, 81.3 per cent were qualified and of the 200 who were also company directors the proportion was 94.5 per cent. Of 188 heads of research and development 86.7 per cent were qualified, although the percentage drops marginally to 86.4 per cent in respect of the 59 who were also directors. One of the lowest incidences of qualifications was among purchasing executives where only 30.9 per cent of 434 surveyed were qualified and only 33.3 per cent were of the 24 who were directors.

### Bonuses

Perhaps because of pay policy limitations, bonus payments are still a relatively uncommon feature among executives although they increased proportionately from 31.1 to 33.9 per cent in the year to July 1976 and for some people represented an important element of their total pay. Among managing directors 35.5 per cent received a bonus, the average being £3,438, representing 26.6 per cent of the average salary of £12,915.

This was the highest percentage of bonus to base salary recorded, the next being sales executives whose average bonus of £1,648 represented 20.3 per cent of an £8,116 average salary. Among heads of work study 29.1 per cent received bonuses, but the average of £348 represented only 7 per cent of a £4,992 average salary.

Executive Salaries and Fringe Benefits in the U.K., 1976, Inbucon/AIC Management Consultants, 197 Knightsbridge, London SW7 1RN, price £40.



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# INVESTORS CHRONICLE

The financial weekly for businessmen





## MINING NEWS

# Australian uranium's slow fox-trot

By KENNETH MARSTON, MINING EDITOR

THE long-awaited and vital environmental inquiry into the possible effects of uranium mining at the Peko-Wallend and Ezi Industries Ranger deposit in the Northern Territory has given the mining industry a qualified approval, to the surprise of many observers.

But the inquiry, chaired by Mr. Justice Russell Fox, stresses that mining, and the possible effects of uranium mining at the Peko-Wallend and Ezi Industries Ranger deposit in the Northern Territory has given the mining industry a qualified approval, to the surprise of many observers.

Now we have to wait for the second report from the inquiry which, it is hoped, may come before the end of this year. As far as the mining companies are concerned, the inquiry should help to ensure that the marketing of the material will be carried out in an orderly manner.

At all events, the hope is that at least some of the conditions allowed to develop a domestic uranium mining industry which will be based on deposits, the grade of which must rank among the highest in the world. To long have such companies as Peko-Wallend, Pauzeur, Queensland Mines and Western Mining, sat watching while other world uranium producers have snapped up profitable uranium supply contracts. Reflecting the industry's new hopes, Peko-Wallend shares rose 17.5 to 512 yesterday while Peko gained 60p to 830p.

## BELGIAN GROUP IN THE RED

Belgium's Compagnie Royale Assurances des Mines, which has lead and zinc mining and smelting interests in Spain and France, will still make a loss this year, although figures are improving in the second half.

The company's quarterly communiqué says that at the end of the third quarter mineral output was running at the same level as in 1975, but that there had been some increase in finished metal production. Last year there was a loss of B.Fr.77.15m. (£1.3m.).

RECORD pre-tax profit of £1.3m. for the year to June 30, 1976, a jump of 54 per cent, is also shown by Walter Lawrence, the building and construction group which went public in July last year. At halfway the figure was up from £188,000 to £254,000.

Compared with the prospectus forecast of 4.3p, dividend total is up from 4.25p to 5.5p, with a final of 3.3p net per 25p share; earnings per share are 3.8p (9.5p).

Looking to the future the directors say that a good cash flow has resulted in a substantial reduction in bank borrowings and this will enable the group to sustain expansion by internal development and by acquisition. The group is in good shape and has made an encouraging start with satisfactory order books and will be aggressively seeking further work at home and abroad. In the absence of unforeseen circumstances, the results for the current year "will be unsatisfactory".

All building companies made significant contributions to profits. The order book for the present year is "not unsatisfactory". Net rental income from property interests increased from £151,000 to £173,000, although there was a reduction in property investment. "The residential market has been buoyant during 1976 particularly at the lower end, where sales have been good," the directors report. Of the 32 residential properties in the development at Hinkley, 31 have now been completed, 25 of which have been sold.

## MICHELIN INTERNATIONAL DEVELOPEMENT N.V.

Corporation under Dutch law with capital of FL 30,000,000  
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6% Bonds 1970-1985 \$1,000

Numerical list of the series including, with previous purchases and converted bonds, 2,682 bonds drawn by lot on October 14, 1976 (first drawing), making up with the 2,738 bonds converted into COMPAGNIE GENERALE des ETABLISSEMENTS MICHELIN shares, 53,810, the entire 56,500,000 nominal amount to be redeemed with respect to the second redemption: 45,850 to 48,576.

Such bonds will be repayable at \$1,000 on and after January 5, 1977, the holder of the same keeping the conversion option into shares during a period of thirty days from the repayment date.

Principal interest will be payable at the office of the MORGAN GUARANTY TRUST CY OF NEW YORK and at the following banks:  
BANQUE NATIONALE de PARIS, PARIS—SOCIETE GENERALE, PARIS—CREDIT LYONNAIS, PARIS—BANQUE de PARIS et des PAYS-BAS, PARIS—BANQUE INDUSTRIELLE et MOBILIERE PRIVEE, PARIS—BANQUE de NEUFVILLE SCHLUMBERGER MALET, PARIS—BANQUE NUGER, CLERMONT-FERRAND—BANCA COMMERCIALE ITALIANA, MILAN—BANCA NAZIONALE DEL LAVORO, ROMA—BANQUE de BRUXELLES S.A., BRUXELLES—BANQUE GENERALE du LUXEMBOURG, LUXEMBOURG—BARCLAYS BANK Ltd, LONDON—COMMERZBANK AG, DUSSELDORF—CREDITO ITALIANO, MILAN—CREDIT SUISSE, ZURICH—DEUTSCHE BANK AG, FRANKFURT—DRESNER BANK AG, FRANKFURT—KREDITBANK NV, BRUXELLES—SOCIETE de BANQUE SUISSE, BASEL—SOCIETE GENERALE, ALGER—SOCIETE GENERALE de LUXEMBOURG, LUXEMBOURG—SOCIETE GENERALE de BANQUE SA, BRUXELLES—UNION de BANQUES SUISSES, ZURICH.

# Glaxo plans for expansion

CONTINUED DEMAND for the group's products at home and overseas has been the most significant factor contributing to the jump of 78 per cent to £74m. in the pre-tax profit of Glaxo Holdings, for the year ended June 30, 1976.

Mr. Austin Bide, chairman, points out that in contrast to last year, the group's profits were also aided by increased margins. The group was able to raise prices at some markets and favourable exchange rates increased the value of sales in others. In addition, manufacturing costs and trading expenses were held down.

The increase in profits attributable to the devaluation of sterling was about £1m. and was achieved by converting trading profits of overseas subsidiaries into sterling at current rates instead of last year's rates.

Referring to the construction of a factory for fine chemical operations, the chairman says that the first phase will cost £14m. and adequate land has been acquired to enable the facilities to be expanded as occasion demands. Investment in plant and buildings is also being made in the U.K. The total cost of these U.K. production projects is about £27m.

For pharmaceuticals, Mr. Bide says that demand in the U.K. market has strengthened during the year but margins have remained narrow. During the past few months, however, international prices have risen appreciably and it appears probable that the anticipated upswing in this cyclical business is starting.

The chairman points out that at present the rate of spending on research and development worldwide is about £17m. per annum. Good progress is being made to expand the activities of Allen and Hanbury Research.

# No payment from Bolton Textile

ON GROUP turnover down from £97.1m. to £90.1m. pre-tax profit of The Bolton Textile Mill Company, textiles and women's clothing group, slumped from £399,000 to £30,000 for the year ended April 30, 1976, after £182,000 (£203,000) for the first half. There is no dividend, August 1.25p per 5p share.

The disappointing trading results, chairman Mr. I. Golek, says are due in the main to reduced margins, the sale of old stock-moving stocks and the steadily increasing costs of contracted imports.

But figures available for the first few months of the present year show an upward trend in trading profits and the directors look forward to the resumption of dividend in 1977.

Extraordinary items up from £172,000 to £332,000—mainly arising from the sale of the group's former London headquarters, the share capital of Withdean Securities, and the disposal of its interest in premises at Great Street, London—lifted attributable profit from £248,000 to £247,000.

Group turnover 1975-76 1976-77  
Pre-tax profit 30 399  
Profit before tax 30 399  
Tax 17 221  
Net profit 13 178  
Extraordinary credit 21 172  
Attributable 97 346

A TURNAROUND from a loss of £418,000 to a pre-tax profit of £10,000 is reported by United Kingdom Property Company for the half-year to September 30, 1976, compared with the loss of £418,000 for the nine months to March 31, 1976. There was a deficit of £310,000.

The half-year's profit is struck after substantially reduced interest charges of £803,000 (£1,335,000). Deductions tax and after extraordinary credits of £351,000 (£223,000 credits), there is an overall loss of £884,000 (£243,000).

Prop. etc. expenses 412  
Interest charges 992  
Credit interest 10  
Taxation 91  
Extraordinary credits 624  
Loss 1,335

\* To September 30, 1976 (unaudited) properties: 2 Lease, 3 Conditional.

# Abrasives down at midterm

Turnover of descaling, decontaminating and metal-finishing machines manufacturer, Abrasives International for the six months to June 30, 1976, increased from £9.9m. to £10.8m. but pre-tax profit slipped from £3.0m. to £1.5m.

The directors state that these disappointing results have continued to the extent that the trading profit for the year is unlikely to be significantly in excess of that for the half-year.

Turning to now, however, a steadily improving order position, they report, and this will benefit next year. The interim dividend is maintained at 0.50p net per 10p share, and the directors expect, in the absence of unforeseen circumstances, to maintain the total at last year's 1.5p, paid from profits of £96,000.

External turnover 1975 1976  
Pre-tax profit 1975 1976  
Profit before tax 1975 1976  
Tax 1975 1976  
Net profit 1975 1976  
Extraordinary credits 1975 1976  
Attributable 1975 1976

# LOXSTAR OPENS NEW FACTORY

A new headquarters has been opened by Loxstar, a subsidiary of Cope Sportswear, at Fribourg in Cleveland. The new factory, phase 2 in the company's three-year growth plan for the North East, is geared to investment in new plant and machinery and the creation of employment in the Cleveland area.

## BIDS AND DEALS

# Century Oils rejects £4.2m. BP offer

By RAY DAFFER, ENERGY CORRESPONDENT

A £4.2m. bid by British Petroleum for Century Oils, the largest independent company in the industrial lubricants field, was immediately dismissed yesterday as "totally unacceptable".

BP, anxious to link Century with its Alexander Duckham subsidiary, offered 50p per share, fractionally above the highest price achieved by the shares in the past three years. The market price jumped 25p to 52p with the news.

Century, which reported a pre-tax profit of £282,400 on a £4m. turnover in the last financial year, said it considered the price of 50p per share "totally inadequate".

Mr. Charles Mitchell, its chairman, said that the company held a unique position in the market. British Petroleum is attempting to acquire a sizeable industrial share in the market in industrial lubricants, where it is weak, and Century Oils believes that this can only be achieved by the acquisition of its customers, other dealers and its employees.

Mr. Denis Milne, chairman of Duckham, estimated that Century held 8 per cent of the industrial lubricants market (a figure regarded as low by Mr. Mitchell). Duckham had a 22.5 per cent share with BP's own brand having a further 6 per cent.

In the retail lubricants market, it was estimated that Duckham had an 18 per cent share. BP Oil had an 8 per cent share and Century's share was less than 1 per cent.

Mr. Milne said he saw the two companies as complementary; each had about the same size turnover; they both had about 20 employees. It was BP's intention to form a new group which would combine the activities of the two companies, although their individual identities would be retained.

While it was not anticipated that there would be any immediate redundancies as a result of the proposed acquisition and merger, it was possible, in time, that savings could be made in some of the supporting services. A BP statement said that the proposed new group would retain the freedom to develop its own marketing policies.

Over the years a number of major companies have shown interest in Century. According to Century, they had respected the group's desire to remain independent.

Mr. Mitchell said that, with share prices at "cray" levels, the group could not be surprised

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Stock meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends will be paid or not, or the amount of any dividend. Shareholders should refer to the company's annual report for details of its financial position.

**FUTURE DATES**  
Allied Leather Industries Nov. 22  
Avaya Nov. 1  
Bovril Nov. 1  
Metvite Dundas and Watson Nov. 8  
Polmark International Nov. 12  
Reed Oils Nov. 15  
Tansanika Concessions Nov. 15  
Usher-Walker Nov. 3  
Final Nov. 3  
Laird Nov. 3  
Lombard Nov. 3  
National Bank of Australia Nov. 11  
Woolsey-Bushes Nov. 11

## WARRINER AND MASON

Cash-and-carry wholesale group Warminster and Mason of Birmingham expects annual turnover to increase by about £2m. to over £125m. with the proposed acquisition, subject to contract, of the depot of Midlands grocer chain King Goodwin. Price of the purchasing letter does not state a formal offer document.

A letter from the Desoutter Board, which has rejected the offer as "fundamentally inadequate", is also promised early next week which will give a detailed rejection of Compair proposals and include a profit forecast for 1976.

## DESOUTTER HOLDERS ASKED FOR THEIR OPINION

Morgan Grenfell, financial advisers to Compair, has sent a letter and reply-paid postcard to minority holders in Desoutter Brothers as they consider that the recent rejection of their takeover proposals by the Desoutter Board may not reflect the views of shareholders in general.

The revised terms of the offer, representing a 30 per cent increase over the previous bid, are seven Compair shares for every two Desoutter, valuing Desoutter at 147p each with Compair at 42p, down 3p yesterday.

There is also a cash offer of 170p a share up to a maximum of £4m.

The shares of Desoutter, whose directors and their families control 83 per cent of the equity, fell 8p to 120p yesterday.

Morgan Grenfell explains that completion of the postcard does not in any way commit holders to accept any offer; it is solely a survey, to assess whether shareholders believe that the Desoutter Board should reconsider its refusal to support the merger of the two companies.

Desoutter meanwhile remain unimpressed in a letter issued last night, the Board and its advisers Samuel Montagu, urge shareholders to ignore Compair postcards, pointing out that the accompanying letter does not constitute a formal offer document.

Under the deal, Warminster and Mason will take over King Goodwin's cash-and-carry warehouse in Gloucester, Worcester, New castle-under-Lyme and Hanley, together with its Alliance of Private Traders symbol trade business operated from Worcester as Newcastle-under-Lyme. This will give Warminster and Mason 64 warehouse spread across the country.

## MANBRE & GARTON

Tate and Lyle has posted its annual containing proposals regarding Manbre and Garton's 7 per cent. Convertible Unsecured Loan stock 1980-88.

The basis is for each £100 stock either £142 cash or £71 of 18 per cent. Convertible Unsecured Loan stock 1984-88 of Tate and £71 cash.

The proposal effectively gives Manbre stockholders the benefit of the increased offer for the Ordinary.

## SOBRANIE

Sobranie Holdings has completed the purchase of the freehold interest at Brookgrove, laundry, Ravenscourt Park, London, to assess whether shareholders

# Green's Economiser progress

FIRST HALF 1976 turnover of engineers, Green's Economiser Group, expanded from £4.7m. to £5.0m., and pre-tax profit increased from £0.8m. to £1.0m.

The directors anticipate that second half profits will be similar to those now reported. Profit for the year 1975 was £1,833,000.

Success in export markets has led to a much healthier order book than at the beginning of the year, and they look to the future with increased confidence.

Earnings per 25p share for the six months were 6.11p (earnings adjusted). The interim dividend is lifted from 1.053p to 1.212p—the maximum permitted total for the year (3.353p).

Half year 1975 1976  
Turnover 4,700,000 5,000,000  
Trading profit 800,000 1,000,000  
Interest payable 40,000 40,000  
Profit before tax 760,000 960,000  
Taxation 120,000 120,000  
Extraordinary credit 50,000 50,000  
Attributable 690,000 890,000

The surplus on exchange arising from the transfer into sterling of the South African subsidiaries balance sheet at June 30, 1976 at the rate then ruling has been included in the profit for the half year.

On turnover up from £24.4m. to £27.4m., pre-tax profit of jute, textiles, etc., group Scott and Robertson for the half-year to April 27, 1976, recovered from £1.7m. to £5.0m. The interim dividend has been restored with a payment of 0.914p net per 25p share. Last year's only dividend was 1.023p net per share down from £800,130 to £108,240.

The directors state that profitability shows a marked improvement over the current year, as anticipated last May.

Despite the current economic difficulties, they say there does not appear any reason at this stage to alter this view.

Tax for the half-year was £3,000 (£27,341) leaving £177,005 (£220,255) before extraordinary credits of £23,540. The interim dividend for the half-year excludes Van Cleef Hessian, which has been sold.

Extraordinary items in the half-year include a surplus of £73,000 arising on the sale and subsequent cancellation of a portion of the company's unsecured loan stock. Against this has been set the loss of £42,000 arising on the repayment of the company's borrowings in Holland, and the expenses of sale of Van Cleef, £7,560.

Turnover 1975 1976  
Profit before tax 1975 1976  
Tax 1975 1976  
Extraordinary credits 1975 1976  
Attributable 1975 1976

Interim dividend is 1.153p net per share, against 1.05p. Last year's total was 2.212p after profits of £229,173.

Six months 1975 1976  
Sales 1,920,000 2,000,000  
Profit before tax 140,000 220,000  
Taxation 22,000 22,000  
Interim dividend 22,000 22,000  
After various of £1.28

The chairman says that sales in the current September quarter are 121 per cent ahead of the previous comparable period, but margins are still under considerable pressure from sterling's weakness and rising costs.

Notwithstanding the difficulties, the chairman says that the company's trading position continues to strengthen.

The situation in respect of the Australian subsidiary has not changed, says Mrs. Jacobs, and the company's investment remains under constant review.

# SWS selling Finlay stake

Slater Walker Securities is selling its 20 per cent stake in the investment fund which it also manages, James Finlay, to a consortium of private groups, having been through the year.

Swire is one of the largest U.K. based private groups, having interests throughout the Far East and Australasia, including shipping, aviation, trading industries, property, engineering and insurance. During the past two years it has built up interests in the security, offshore oil service and support sectors through joint ventures with Field International Drilling Company, Petrocon Group, and Northern Oilfields.

Finlay has extensive plantation interests, and is strong in overseas banking, international confirming and finance, and the manufacture of confectionery and beverages. It has a share in 100 per cent, and anticipates the relationship will assist it in its future development.

In particular, Swire's trading knowledge and experience of countries where Finlay is not represented will be of great value.

Swire has confirmed that it is holding is being acquired for investment purposes and that it has no present intention of acquiring further Finlay stock or making the general offer. The investment is an extension of its policy of equity participation in companies where there are complementary overseas trading interests and with which it hopes to develop joint venture activities.

SWS will be entitled to retain the interim dividend of 2.75p declared recently by Finlay, as payable on December 8.



# English Property Corporation Limited

## INTERIM REPORT

The results for the six months to 30th April, 1976 (unaudited), with comparative figures, are as follows:—

	Six Months to 30.4.76 £000	Six Months to 30.4.75 £000
Property and construction income	51,183	40,684
Dividends, interest & sundry income	2,173	1,954
	53,356	42,638
Property, construction & administration expenses	32,712	25,780
Interest	29,152	24,807
Depreciation	412	366
	62,276	50,953
Less interest and expenses in respect of development properties:		
United Kingdom	2,872	3,474
Overseas	8,439	6,222
	50,965	41,257
Group net revenue before taxation	2,391	1,381
Add taxation credit	661	380
Revenue after taxation	3,052	1,761
Less minority interests	1,795	1,240
Net revenue attributable to the holding company	1,257	521

Preference dividend paid for the six months to 30th April, 1976 amounted to £44,000 (1975 £44,000).

The directors have declared an interim dividend of 1.25p. per share amounting to £1,032,710 (1975 1.25p. per share—£730,591) which will be paid on 4th January, 1977 to those ordinary shareholders on the Register on 29th November, 1976. Advance corporation tax of £556,075 (1975 £393,394) relates to this dividend and has not been provided for in the above figures.

Group net revenue before taxation for the second half of the year is expected to show an increase over that for the first half.

# English Property Corporation Limited

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

# Kuhn Loeb may merge with Blyth Eastman Dillon

BY STEWART FLEMING

NEW YORK, Oct. 28.

TWO of Wall Street's leading securities houses, Blyth Eastman Dillon and Kuhn Loeb, are reported to be discussing a possible merger.

The reports appeared in this morning's Wall Street Journal and so far none of the companies concerned has agreed to comment on them.

The clearest indication that such discussions are at least underway came from the Philadelphia-based financial conglomerate Ina Corporation which was 50 per cent. of Blyth Eastman Dillon.

Mr. Ralph S. Saul, Ina chairman and chief executive, after last declining specific comment

added "there are always talks going on between firms on the street nowadays."

Earlier this year Ina increased its stake in Blyth Eastman Dillon to 60 per cent. in a deal which saw a 20 per cent. stake in the company go to the French investment bank, Compagnie Financière de Suez.

At that time, the capital of Blyth Eastman Dillon was estimated at \$80m. Private estimates suggest that Kuhn Loeb managed underwritings of \$800m. in the first half of 1976 and Blyth Eastman Dillon managed underwritings of \$1.2bn.

Kuhn Loeb has, however, been rumoured for some time to be

## Ship sales come to the aid of Brostrom

By William Dufforce

STOCKHOLM, Oct. 28.

BROSTROM, the Swedish shipping concern, the Swedish ship-tax loss of Kr.52m. (\$12m.) for the first eight months of this year, converted into a profit of Kr.5m. when the proceeds from the sale of ships are included. Operating income rose slightly from Kr.1.17m. to Kr.1.27m. (\$182m.) for the period.

These figures compare with a loss after financial charges of Kr.103m. for 1975 as a whole, when Kr.164m. from ship sales and other extraordinary income produced a final pre-tax figure of Kr.61m. Operating income in 1975 was Kr.1.79m.

## U.S. CORPORATE PROFITS

# The pause that depresses

BY JAY PALMER IN NEW YORK

NEW YORK, Oct. 28.

THE FORD administration, on the eve of the still close presidential election next week, is confidently describing it as "the pause that refreshes." It must remain doubtful if U.S. industry feels quite the same way especially since there are growing fears that the "pause" could have a dramatic effect on final-quarter 1976 earnings.

In the third quarter of this year, according to a survey of 510 "major companies" carried out by the Wall Street Journal, earnings rose a mere 17 per cent. over last year's levels. By way of comparison, a similar earlier survey of the second quarter showed earnings up by 33 per cent. while, in the first three months of this year, earnings rose 41 per cent, the sharpest year-to-year gain for any three months since 1959.

The airlines, which as the Wall Street Journal table shows, headed the list of biggest earnings gains. The point here, however, is that the airlines were collectively slow to come out of the 1974-75 depression and this notably in the new car and air industry's 1975 performance in

quarter earnings will fall even further below projections. The 1977 performance could prove relatively disappointing. There have, not unnaturally, been some very bright spots in third quarter performance, most notably in the new car and air industry's 1975 performance in

between individual company performances and the so-called industry average. Thus the chemical industry as a whole lifted third-quarter earnings by a mere one-half of 1 per cent. Within the industry, however, Du Pont, the largest U.S. chemical company, lifted its third-month earnings by 17.5 per cent., while its largest competitor, Union Carbide, managed an even larger rise of 32 per cent. The average drop, which analysts attribute to weak demand at low prices for fibres, plastics and some chemicals, came in the smaller companies such as Allied Chemical, which saw its earnings fall 55.8 per cent.

### U.S. CORPORATE EARNINGS CHANGES BY KEY SELECTED INDUSTRIES OVER FIRST THREE QUARTERS OF 1976

Industry	1st	2nd	3rd
Airlines	up 1	up 322	up 103
Auto and equipment	up 1	up 238	up 242
Banks	dn 13	dn 4	up 12
Building Materials	up 128	up 58	up 33
Chemicals	up 35	up 25	up 0.4
Dept. Stores	up 67	up 49	up 6.9
Farm Equipment	dn 5	up 38	up 102
Food Products	up 52	up 18	up 4
Petroleum Products	up 30	up 15	up 10
Pulp and Paper	up 47	up 58	up 24
Railroads	up 161	up 147	dn 9
Rubber	up 93	dn 0.7	dn 65
Steel	dn 48	up 4	up 14
Textiles	up 346	up 135	up 46
Utilities	up 18	up 9	up 10
Total of all 500-600 Companies surveyed by WSJ	up 41	up 33	up 17

† Bigger loss than comparative quarter

For one thing, the earnings of these 510 companies in this quarter were of course expected and it remains both difficult and dangerous to attribute it to the economic pause.

But it remains true that, even after discounting these adverse factors, the third quarter performance both in general and specific terms falls below a good many earlier projections. With this in mind, many now suggest that unless the economy gets moving and quickly, fourth

quarter earnings will fall even further below projections. The 1977 performance could prove relatively disappointing.

At the same time, the airlines, which carry heavy debt levels, are now facing a desperate battle to restore their financial credibility to a high enough level to allow them access to the debt markets to fund essential new plane purchases.

Throughout this, and all other, general earnings surveys, there exists an often wide disparity

## Recovery maintained for KLM

BY MICHAEL VAN OS

AMSTERDAM, Oct. 28.

KLM, Royal Dutch Airlines, continued its recovery in the second quarter of this year, but it is warned in the quarterly statement published in Amsterdam today that the "forceful recovery" of the past summer was not expected to continue in the second half of the financial year.

The airline today reported a net profit of Fls.59m. for the period July to September inclusive, compared with Fls.55.9m. in the same period last year.

This brought the first half's profit up to Fls.108.8m., which is double the profit of the corresponding last year (Fls.54.2m.).

The profit per ordinary share rose to Fls.28.66 in the second quarter (Fls.16.02) and to Fls.35.38 in the April to September session (Fls.11.03).

The short statement by KLM, which reported earlier that a "modest profit" was expected to be earned in the quarter, with several years of heavy losses, showed that the airline's operating revenue in the second quarter rose to Fls.730m., representing an increase of 14 per cent. on the same period last year. The half-year figure rises 18 per cent. to Fls.1.36bn.

Total operating costs, including depreciation, rose by a lesser pace in the period, going up 12 per cent. to Fls.645.7m. Interim costs were up also 12 per cent. to reach Fls.1.23bn.

This leaves KLM with a second quarter operating profit of Fls.84.3m., compared with Fls.62m. in the half-year figure, and to Fls.107.7m. (Fls.50.7m.) in the April to September session.

what is traditionally its most difficult time of the year, said that the July-September quarter had shown an increase in ton/kilometre production of 2 per cent. Passenger traffic on scheduled flights and mail transport went up 3 per cent. Freight transport advanced relatively strongly, to rise by 13 per cent. while charter transport also showed a major improvement, increasing 13 per cent. Total transport, it is added, was 6 per cent. up on the same quarter the previous year.

KLM added in today's statement that the load factor—an important lead indicator—has risen to 59.3 per cent. in the second quarter, compared with 56.9 per cent. in July-September the year before.

## Salzgitter looks ahead

BY OUR OWN CORRESPONDENT

BONN, Oct. 28.

ALZGITTER, the West German government-owned steel and engineering group, expects only slight improvement in business conditions during the 1976-77 financial year after this "complex and difficult" year which ended September 30.

Giving a preliminary survey of last year's results yesterday, a Salzgitter chairman, Herr Hans Birnbaum, said it was not possible to tell whether the company had managed to balance its books. Comparisons with the previous year would be difficult, said, because of adjustments between hidden and published reserves, but there had been no need to dip into published reserves. Herr Birnbaum made it clear that the coming year would most certainly show no significant improvement in the steel market. In spite of a return to profitability during June, the sober figures, he said, would be again yield a "slightly red" waiting result. Salzgitter did expect a significantly better state in the industry much later 1978.

During the 1975-76 business year, Salzgitter's steel turnover climbed by 4.8 per cent. to 4.1m. DM50m. As a result, the company's short-time working during the early part of the next year was "not to be expected." But Herr Birnbaum phrased that this would not

occur before Christmas and would be regarded as a measure of last resort. Group employment is already down by 10 per cent. from the 20,000 figure of two years ago.

While the setbacks to Salzgitter were mainly due to the situation in the crude steel market as had been clear earlier in the year, other branches of the group showed a better performance. The steel trading subsidiary earned a DM25m. profit, while the Salzgitter finishing and engineering divisions turned in a similar profit after suffering a DM5m. loss in the previous year. Another bright spot was natural gas which showed a DM15m. profit, compared to DM30m. in 1974-75. When combined DM13m. to profits.

Herr Birnbaum also reported that the group's shipbuilding interests earned some DM30m., but most of this was transferred to reserves. The yards should be able to continue in operation without showing a loss on the basis of precautions already taken.

The Salzgitter chairman said he was hopeful of getting a DM100m. capital injection from the 1977 federal budget. Investment plans up to 1980, involving the expenditure of DM2bn., would be maintained, with some DM100m. being put into new plant and equipment this year.

# SAAB. Warranted to go round the world again and again...



## UROBONDS Austrian bank to raise \$40m. loan

BY TONY HAWKINS

NEW floating rate note issue Oesterreichische Kontrollbank was announced last night. The \$40m. Eurobond loan is guaranteed by the Republic of Austria and has a 6-year bullet maturity. The coupon rate will be 1 per cent. above the six-month London interbank offered rate (Libor) with a minimum of 6 per cent. Final terms to be set on November 5.

The bank is the Austrian Banking Company Ltd.

A secondary market for the bond prices tended better in the afternoon following the rate cut in the U.S. In first trading, the bank was set at 99.99 after being set at par.

Also in first-time trading the DM50m. Sekisui Prefab Homes 6 1/2 per cent. convertible opened at 99.99, drifting lower to 97.98. Reflecting the general weakness of Japanese convertibles under present trading conditions, the Sanyo convertibles were lower at 95.96. Dealers noted some profit-taking and selling of the shorter term issues. Deutschemark bonds continued to be in demand.

### BOND TRADE INDEX

	Thursday	Wednesday
Medium	101.54	101.53
Long	93.33	93.31
Convertibles	104.93	104.93

## ELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

Bid	Offer	Bid	Offer
AGENTS		CONVERTIBLES	
5 1/2pc 1986	104	American Express 4pc '87	81 1/2
6 1/2pc 1986	103	Ashland 5pc 1989	82 1/2
7 1/2pc 1986	102	Beaumont Foods 4 1/2pc 1982	97 1/2
8 1/2pc 1986	101	Beaumont Foods 4 1/2pc 1982	112 1/2
9 1/2pc 1986	100	Borden 5pc 1982	100 1/2
10 1/2pc 1986	99	Broadway Hale 4 1/2pc 1987	79
11 1/2pc 1986	98	Carnation 4pc 1987	82 1/2
12 1/2pc 1986	97	Carnation 4pc 1987	82 1/2
13 1/2pc 1986	96	Carraro 4pc 1987	84
14 1/2pc 1986	95	Chemical Bank 4 1/2pc 1983	103 1/2
15 1/2pc 1986	94	Chemical Bank 4 1/2pc 1983	103 1/2
16 1/2pc 1986	93	Chemical Bank 4 1/2pc 1983	103 1/2
17 1/2pc 1986	92	Chemical Bank 4 1/2pc 1983	103 1/2
18 1/2pc 1986	91	Chemical Bank 4 1/2pc 1983	103 1/2
19 1/2pc 1986	90	Chemical Bank 4 1/2pc 1983	103 1/2
20 1/2pc 1986	89	Chemical Bank 4 1/2pc 1983	103 1/2
21 1/2pc 1986	88	Chemical Bank 4 1/2pc 1983	103 1/2
22 1/2pc 1986	87	Chemical Bank 4 1/2pc 1983	103 1/2
23 1/2pc 1986	86	Chemical Bank 4 1/2pc 1983	103 1/2
24 1/2pc 1986	85	Chemical Bank 4 1/2pc 1983	103 1/2
25 1/2pc 1986	84	Chemical Bank 4 1/2pc 1983	103 1/2
26 1/2pc 1986	83	Chemical Bank 4 1/2pc 1983	103 1/2
27 1/2pc 1986	82	Chemical Bank 4 1/2pc 1983	103 1/2
28 1/2pc 1986	81	Chemical Bank 4 1/2pc 1983	103 1/2
29 1/2pc 1986	80	Chemical Bank 4 1/2pc 1983	103 1/2
30 1/2pc 1986	79	Chemical Bank 4 1/2pc 1983	103 1/2
31 1/2pc 1986	78	Chemical Bank 4 1/2pc 1983	103 1/2
32 1/2pc 1986	77	Chemical Bank 4 1/2pc 1983	103 1/2
33 1/2pc 1986	76	Chemical Bank 4 1/2pc 1983	103 1/2
34 1/2pc 1986	75	Chemical Bank 4 1/2pc 1983	103 1/2
35 1/2pc 1986	74	Chemical Bank 4 1/2pc 1983	103 1/2
36 1/2pc 1986	73	Chemical Bank 4 1/2pc 1983	103 1/2
37 1/2pc 1986	72	Chemical Bank 4 1/2pc 1983	103 1/2
38 1/2pc 1986	71	Chemical Bank 4 1/2pc 1983	103 1/2
39 1/2pc 1986	70	Chemical Bank 4 1/2pc 1983	103 1/2
40 1/2pc 1986	69	Chemical Bank 4 1/2pc 1983	103 1/2
41 1/2pc 1986	68	Chemical Bank 4 1/2pc 1983	103 1/2
42 1/2pc 1986	67	Chemical Bank 4 1/2pc 1983	103 1/2
43 1/2pc 1986	66	Chemical Bank 4 1/2pc 1983	103 1/2
44 1/2pc 1986	65	Chemical Bank 4 1/2pc 1983	103 1/2
45 1/2pc 1986	64	Chemical Bank 4 1/2pc 1983	103 1/2
46 1/2pc 1986	63	Chemical Bank 4 1/2pc 1983	103 1/2
47 1/2pc 1986	62	Chemical Bank 4 1/2pc 1983	103 1/2
48 1/2pc 1986	61	Chemical Bank 4 1/2pc 1983	103 1/2
49 1/2pc 1986	60	Chemical Bank 4 1/2pc 1983	103 1/2
50 1/2pc 1986	59	Chemical Bank 4 1/2pc 1983	103 1/2
51 1/2pc 1986	58	Chemical Bank 4 1/2pc 1983	103 1/2
52 1/2pc 1986	57	Chemical Bank 4 1/2pc 1983	103 1/2
53 1/2pc 1986	56	Chemical Bank 4 1/2pc 1983	103 1/2
54 1/2pc 1986	55	Chemical Bank 4 1/2pc 1983	103 1/2
55 1/2pc 1986	54	Chemical Bank 4 1/2pc 1983	103 1/2
56 1/2pc 1986	53	Chemical Bank 4 1/2pc 1983	103 1/2
57 1/2pc 1986	52	Chemical Bank 4 1/2pc 1983	103 1/2
58 1/2pc 1986	51	Chemical Bank 4 1/2pc 1983	103 1/2
59 1/2pc 1986	50	Chemical Bank 4 1/2pc 1983	103 1/2
60 1/2pc 1986	49	Chemical Bank 4 1/2pc 1983	103 1/2
61 1/2pc 1986	48	Chemical Bank 4 1/2pc 1983	103 1/2
62 1/2pc 1986	47	Chemical Bank 4 1/2pc 1983	103 1/2
63 1/2pc 1986	46	Chemical Bank 4 1/2pc 1983	103 1/2
64 1/2pc 1986	45	Chemical Bank 4 1/2pc 1983	103 1/2
65 1/2pc 1986	44	Chemical Bank 4 1/2pc 1983	103 1/2
66 1/2pc 1986	43	Chemical Bank 4 1/2pc 1983	103 1/2
67 1/2pc 1986	42	Chemical Bank 4 1/2pc 1983	103 1/2
68 1/2pc 1986	41	Chemical Bank 4 1/2pc 1983	103 1/2
69 1/2pc 1986	40	Chemical Bank 4 1/2pc 1983	103 1/2
70 1/2pc 1986	39	Chemical Bank 4 1/2pc 1983	103 1/2
71 1/2pc 1986	38	Chemical Bank 4 1/2pc 1983	103 1/2
72 1/2pc 1986	37	Chemical Bank 4 1/2pc 1983	103 1/2
73 1/2pc 1986	36	Chemical Bank 4 1/2pc 1983	103 1/2
74 1/2pc 1986	35	Chemical Bank 4 1/2pc 1983	103 1/2
75 1/2pc 1986	34	Chemical Bank 4 1/2pc 1983	103 1/2
76 1/2pc 1986	33	Chemical Bank 4 1/2pc 1983	103 1/2
77 1/2pc 1986	32	Chemical Bank 4 1/2pc 1983	103 1/2
78 1/2pc 1986	31	Chemical Bank 4 1/2pc 1983	103 1/2
79 1/2pc 1986	30	Chemical Bank 4 1/2pc 1983	103 1/2
80 1/2pc 1986	29	Chemical Bank 4 1/2pc 1983	103 1/2
81 1/2pc 1986	28	Chemical Bank 4 1/2pc 1983	103 1/2
82 1/2pc 1986	27	Chemical Bank 4 1/2pc 1983	103 1/2
83 1/2pc 1986	26	Chemical Bank 4 1/2pc 1983	103 1/2
84 1/2pc 1986	25	Chemical Bank 4 1/2pc 1983	103 1/2
85 1/2pc 1986	24	Chemical Bank 4 1/2pc 1983	103 1/2
86 1/2pc 1986	23	Chemical Bank 4 1/2pc 1983	103 1/2
87 1/2pc 1986	22	Chemical Bank 4 1/2pc 1983	103 1/2
88 1/2pc 1986	21	Chemical Bank 4 1/2pc 1983	103 1/2
89 1/2pc 1986	20	Chemical Bank 4 1/2pc 1983	103 1/2
90 1/2pc 1986	19	Chemical Bank 4 1/2pc 1983	103 1/2
91 1/2pc 1986	18	Chemical Bank 4 1/2pc 1983	103 1/2
92 1/2pc 1986	17	Chemical Bank 4 1/2pc 1983	103 1/2
93 1/2pc 1986	16	Chemical Bank 4 1/2pc 1983	103 1/2
94 1/2pc 1986	15	Chemical Bank 4 1/2pc 1983	103 1/2
95 1/2pc 1986	14	Chemical Bank 4 1/2pc 1983	103 1/2
96 1/2pc 1986	13	Chemical Bank 4 1/2pc 1983	103 1/2
97 1/2pc 1986	12	Chemical Bank 4 1/2pc 1983	103 1/2
98 1/2pc 1986	11	Chemical Bank 4 1/2pc 1983	103 1/2
99 1/2pc 1986	10	Chemical Bank 4 1/2pc 1983	103 1/2
100 1/2pc 1986	9	Chemical Bank 4 1/2pc 1983	103 1/2
101 1/2pc 1986	8	Chemical Bank 4 1/2pc 1983	103 1/2
102 1/2pc 1986	7	Chemical Bank 4 1/2pc 1983	103 1/2
103 1/2pc 1986	6	Chemical Bank 4 1/2pc 1983	103 1/2
104 1/2pc 1986	5	Chemical Bank 4 1/2pc 1983	103 1/2
105 1/2pc 1986	4	Chemical Bank 4 1/2pc 1983	103 1/2
106 1/2pc 1986	3	Chemical Bank 4 1/2pc 1983	103 1/2
107 1/2pc 1986	2	Chemical Bank 4 1/2pc 1983	103 1/2
108 1/2pc 1986	1	Chemical Bank 4 1/2pc 1983	103 1/2
109 1/2pc 1986	0	Chemical Bank 4 1/2pc 1983	103 1/2
110 1/2pc 1986	-1	Chemical Bank 4 1/2pc 1983	103 1/2
111 1/2pc 1986	-2	Chemical Bank 4 1/2pc 1983	103 1/2
112 1/2pc 1986	-3	Chemical Bank 4 1/2pc 1983	103 1/2
113 1/2pc 1986	-4	Chemical Bank 4 1/2pc 1983	103 1/2
114 1/2pc 1986	-5	Chemical Bank 4 1/2pc 1983	103 1/2
115 1/2pc 1986	-6	Chemical Bank 4 1/2pc 1983	103 1/2
116 1/2pc 1986	-7	Chemical Bank 4 1/2pc 1983	103 1/2
117 1/2pc 1986	-8	Chemical Bank 4 1/2pc 1983	103 1/2
118 1/2pc 1986	-9	Chemical Bank 4 1/2pc 1983	103 1/2
119 1/2pc 1986	-10	Chemical Bank 4 1/2pc 1983	103 1/2
120 1/2pc 1986	-11	Chemical Bank 4 1/2pc 1983	103 1/2
121 1/2pc 1986	-12	Chemical Bank 4 1/2pc 1983	103 1/2
122 1/2pc 1986	-13	Chemical Bank 4 1/2pc 1983	103 1/2
123 1/2pc 1986	-14	Chemical Bank 4 1/2pc 1983	103 1/2
124 1/2pc 1986	-15	Chemical Bank 4 1/2pc 1983	103 1/2
125 1/2pc 1986	-16	Chemical Bank 4 1/2pc 1983	103 1/2
126 1/2pc 1986	-17	Chemical Bank 4 1/2pc 1983	103 1/2
127 1/2pc 1986	-18	Chemical Bank 4 1/2pc 1983	103 1/2
128 1/2pc 1986	-19	Chemical Bank 4 1/2pc 1983	103 1/2
129 1/2pc 1986	-20	Chemical Bank 4 1/2pc 1983	103 1/2
130 1/2pc 1986	-21	Chemical Bank 4 1/2pc 1983	103 1/2
131 1/2pc 1986	-22	Chemical Bank 4 1/2pc 1983	103 1/2
132 1/2pc 1986	-23	Chemical Bank 4 1/2pc 1983	103 1/2
133 1/2pc 1986	-24	Chemical Bank 4 1/2pc 1983	103 1/2
134 1/2pc 1986	-25	Chemical Bank 4 1/2pc 1983	103 1/2
135 1/2pc 1986	-26	Chemical Bank 4 1/2pc 1983	103 1/2
136 1/2pc 1986	-27	Chemical Bank 4 1/2pc 1983	103 1/2
137 1/2pc 1986	-28	Chemical Bank 4 1/2pc 1983	103 1/2
138 1/2pc 1986	-29	Chemical Bank 4 1/2pc 1983	103 1/2
139 1/2pc 1986	-30	Chemical Bank 4 1/2pc 1983	103 1/2
140 1/2pc 1986	-31	Chemical Bank 4 1/2pc 1983	103 1/2
141 1/2pc 1986	-32	Chemical Bank 4 1/2pc 1983	103 1/2
142 1/2pc 1986	-33	Chemical Bank 4 1/2pc 1983	103 1/2
143 1/2pc 1986	-34	Chemical Bank 4 1/2pc 1983	103 1/2
144 1/2pc 1986	-35	Chemical Bank 4 1/2pc 1983	103 1/2
145 1/2pc 1986	-36	Chemical Bank 4 1/2pc 1983	103 1/2
146 1/2pc 1986	-37	Chemical Bank 4 1/2pc 1983	103 1/2
147 1/2pc 1986	-38	Chemical Bank 4 1/2pc 1983	103 1/2
148 1/2pc 1986	-39	Chemical Bank 4 1/2pc 1983	103 1/2
149 1/2pc 1986	-40	Chemical Bank 4 1/2pc 1983	103 1/2
150 1/2pc 1986	-41	Chemical Bank 4 1/2pc 1983	103 1/2
151 1/2pc 1986	-42	Chemical Bank 4 1/2pc 1983	103 1/2
152 1/2pc 1986	-43	Chemical Bank 4 1/2pc 1983	103 1/2
153 1/2pc 1986	-44	Chemical Bank 4 1/2pc 1983	103 1/2
154 1/2pc 1986	-45	Chemical Bank 4 1/2pc 1983	103 1/2
155 1/2pc 1986	-46	Chemical Bank 4 1/2pc 1983	103 1/2
156 1/2pc 1986	-47	Chemical Bank 4 1/2pc 1983	103 1/2
157 1/2pc 1986	-48	Chemical Bank 4 1/2pc 1983	103 1/2
158 1/2pc 1986	-49	Chemical Bank 4 1/2pc 1983	103 1/2
159 1/2pc 1986	-50	Chemical Bank 4 1/2pc 1983	103 1/2
160 1/2pc 1986	-51	Chemical Bank 4 1/2pc 1983	103 1/2
161 1/2pc 1986	-52	Chemical Bank 4 1/2pc 1983	103 1/2
162 1/2pc 1986	-53	Chemical Bank 4 1/2pc 1983	103 1/2
163 1/2pc 1986	-54	Chemical Bank 4 1/2pc 1983	103 1/2
164 1/2pc 1986	-55	Chemical Bank 4 1/2pc 1983	103 1/2
165 1/2pc 1986	-56	Chemical Bank 4 1/2pc 1983	103 1/2
166 1/2pc 1986	-57	Chemical Bank 4 1/2pc 1983	103 1/2
167 1/2pc 1986	-58	Chemical Bank 4 1/2pc 1983	103 1/2
168 1/2pc 1986	-59	Chemical Bank 4 1/2pc 1983	103 1/2
169 1/2pc 1986	-60	Chemical Bank 4 1/2pc 1983	103 1/2
170 1/2pc 1986	-61	Chemical Bank 4 1/2pc 1983	103 1/2
171 1/2pc 1986	-62	Chemical Bank 4 1/2pc 1983	103 1/2
172 1/2pc 1986	-63	Chemical Bank 4 1/2pc 1983	103 1/2
173 1/2pc 1986	-64	Chemical Bank 4 1/2pc 1983	103 1/2
174 1/2pc 1986	-65	Chemical Bank 4 1/2pc 1983	103 1/2
175 1/2pc 1986	-66	Chemical Bank 4 1/2pc 1983	103 1/2
176 1/2pc 1986	-67	Chemical Bank 4 1/2pc 1983	103 1/2
177 1/2pc 1986	-68	Chemical Bank 4 1/2pc 1983	103 1/2
178 1/2pc 1986	-69	Chemical Bank 4 1/2pc 1983	103 1/2
179 1/2pc 1986	-70	Chemical Bank 4 1/2pc 1983	103 1/2
180 1/2pc 1986	-71	Chemical Bank 4 1/2pc 1983	103 1/2
181 1/2pc 1986	-72	Chemical Bank 4 1/2pc 1983	103 1/2
182 1/2pc 1986	-73	Chemical Bank 4 1/2pc 1983	103 1/2
183 1/2pc 1986	-74	Chemical Bank 4 1/2pc 1983	103 1/2
184 1/2pc 1986	-75	Chemical Bank 4 1/2pc 1983	103 1/2
185 1/2pc 1986	-76	Chemical Bank 4 1/2pc 1983	103 1/2
186 1/2pc 1986	-77	Chemical Bank 4 1/2pc 1983	103 1/2
187 1/2pc 1986	-78	Chemical Bank 4 1/2pc 1983	103 1/2
188 1/2pc 1986	-79	Chemical Bank 4 1/2pc 1983	103 1/2
189 1/2pc 1986	-80	Chemical Bank 4 1/2pc 1983	103 1/2
190 1/2pc 1986	-81	Chemical Bank 4 1/2pc 1983	103 1/2
191 1/2pc 1986	-82	Chemical Bank 4 1/2pc 1983	103 1/2
192 1/2pc 1986	-83	Chemical Bank 4 1/2pc 1983	103 1/2
193 1/2pc 1986	-84	Chemical Bank 4 1/2pc 1983	103 1/2
194 1/2pc 1986	-85	Chemical Bank 4 1/2pc 1983	103 1/2
195 1/2pc 1986	-86	Chemical Bank 4 1/2pc 1983	103 1/2
196 1/2pc 1986	-87	Chemical Bank 4 1/2pc 1983	103 1/2
197 1/2pc 1986	-88	Chemical Bank 4 1/2pc 1983	103 1/2
198 1/2pc 1986	-89	Chemical Bank 4 1/2pc 1983	103 1/2
199 1/2pc 1986	-90	Chemical Bank 4 1/2pc 1983	103 1/2
200 1/2pc 1986	-91	Chemical Bank 4 1/2pc 1983	103 1/2
201 1/2pc 1986	-92	Chemical Bank 4 1/2pc 1983	103 1/2
202 1/2pc 1986	-93	Chemical Bank 4 1/2pc 1983	103 1/2
203 1/2pc 1986	-94	Chemical Bank 4 1/2pc 1983	103 1/2
204 1/2pc 1986	-95	Chemical Bank 4 1/2pc 1983	103 1/2
205 1/2pc 1986	-96	Chemical Bank 4 1/2pc 1983	103 1/2
206 1/2pc 1986	-97	Chemical Bank 4 1/2pc 1983	103 1/2
207 1/2pc 1986	-98	Chemical Bank 4 1/2pc 1983	103 1/2
208 1/2pc 1986	-99	Chemical Bank 4 1/2pc 1983	103 1/2
209 1/2pc 1986	-100	Chemical Bank 4 1/2pc 198	



# FINANCIAL TIMES SURVEY

Friday October 29 1976

## Fund Management

Fund management has become increasingly important in recent years—for individual and institutional investors alike. Growing expertise has been accompanied by a steadily widening choice of funds on the market, ranging from the general to those with a specialist flavour.

### The Save & Prosper solution. A wide range of funds with tax-efficient insurance services to match.

Investment needs to be considered in two ways. First, the underlying investment itself, either equities, property, fixed-interest or a balance of all three, and second, the method. The choice of investment and the method will depend on individual circumstances at the time the investment is made. At Save & Prosper we offer a wide range of funds and associated investment and insurance services. These can help you to realise your financial objectives in a simple and tax-efficient way to suit your individual circumstances.

#### About Save & Prosper

Founded in 1934, Save & Prosper Group manages funds, currently of around £700 million for 700,000 investors, both in the UK and overseas. The funds invest in equities, property, commodities, fixed-interest stocks and deposits. The associated services include regular and single premium insurance plans, pool fees plans, annuities and pension schemes.

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**Funds offering a high or increasing income**—A number of our funds are designed for investors who are seeking an above-average income or a high and increasing income from investments. In view of this aim, the assets of these funds are presently almost entirely made up of UK shares, though the managers have the freedom to invest abroad if this should be judged appropriate at any time.

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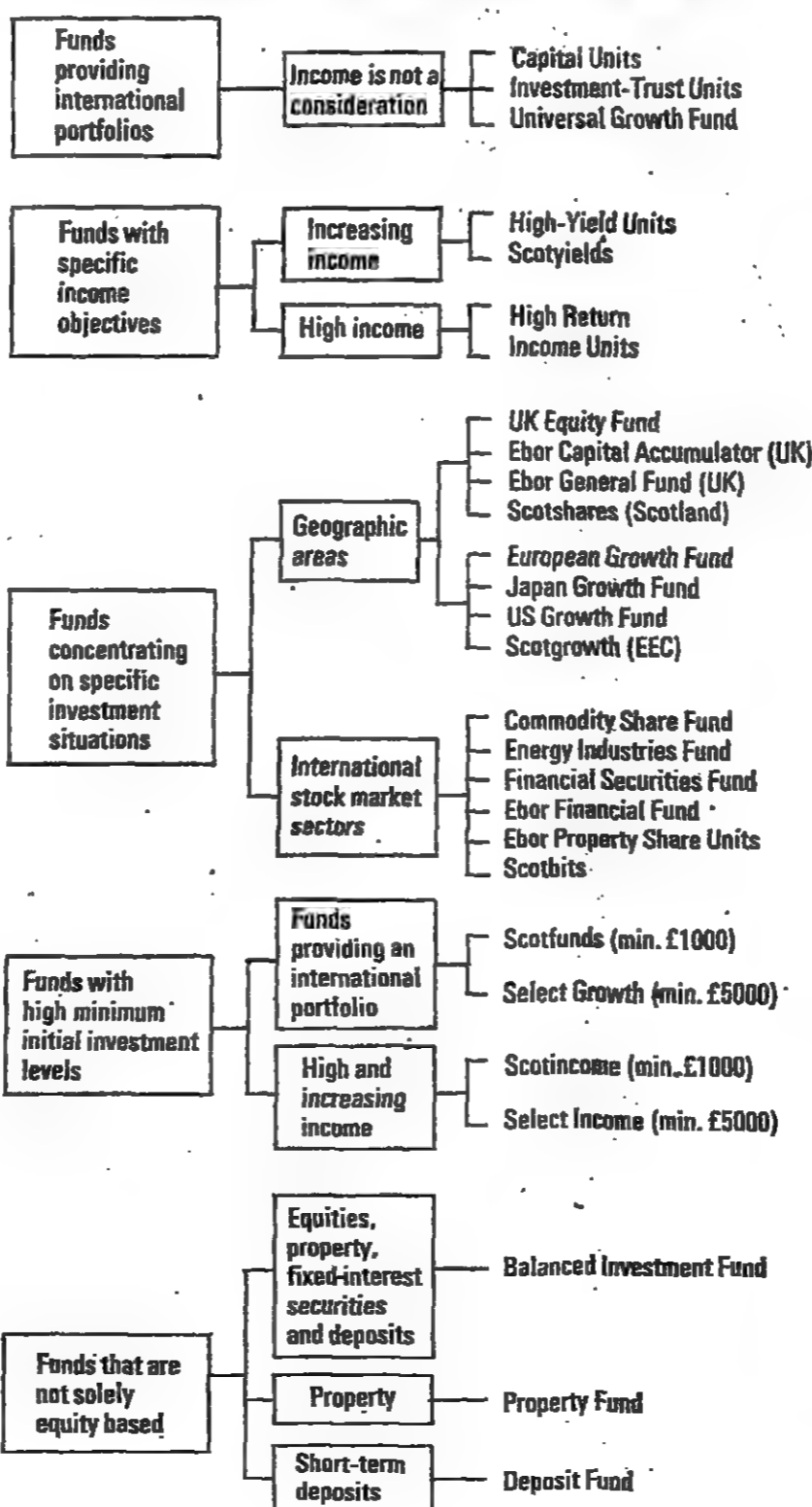
##### A balanced portfolio

The Save & Prosper Balanced Investment Fund is invested in a combination of property, equities, fixed-interest securities and deposits and aims to provide a balanced portfolio in a single transaction. The fund invests in equities through the Group's trusts and in property through our Property Fund.

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The Save & Prosper Deposit Fund is invested in fixed-term deposits through the London money market and provides a valuable haven for capital in times of uncertainty, pending a turn to longer-term re-investment.

#### SAVE & PROSPER FUND SELECTOR



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Professional advisers requiring further information should phone Save & Prosper Services on 01-831 7601.

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There are basically four ways to invest in our funds and each offers certain tax advantages over direct investment in shares.

Investors may invest directly in the units of a unit trust fund; they may purchase an Investment Bond linked to the fund of their choice; they can exchange shares for units or Investment Bonds; and they can build up capital through regular investment.

##### Direct investment in units

A unitholding is the simplest way to invest in any of our unit trust funds and this offers certain capital gains tax advantages over a portfolio of shares held privately. Unit trusts currently pay tax on realised capital gains at a rate of 17½% on switching investments. When a unitholder disposes of his units at a gain he is at present entitled to a credit of 17½%, to be offset against his personal tax liability on that gain.

In practice this means that a unitholder's personal liability to capital gains tax will be between nil and 12½%, compared with rates of between 17½% and 30% to which private investors are now normally liable on a disposal of shares.

##### Investment Bond

The Investment Bond is generally more suitable for higher-rate taxpayers who want to benefit from the higher-yielding trusts over the long term, but do not want to increase their current taxable income. For those higher-rate taxpayers who want to supplement current income, up to 5% of their original investment can be withdrawn each year for up to 20 years without giving rise to a liability to tax during that period. The withdrawals can start or be stopped at any time and will be taken into account in calculating any liability to tax when the bond is encashed. However, if this is done at a time when the investor's personal tax rates are lower (such as after retirement), this liability can be reduced or eliminated.

##### Advantageous share exchange

Investors who hold shares can exchange them on advantageous terms for a unit holding or an Investment Bond. Where we can accept the shares as part of one of our portfolios we give the market offer price for them. This is usually 2%, 3% more than the investor would receive by selling them at the market bid price.

If we are unable to accept particular shares into our portfolios we will sell them, normally without making any deduction for costs of commission and stamp duty incurred. An exchange of shares would be considered a disposal for capital gains tax purposes.

##### Regular investment

Several methods of building up a substantial investment in any of our funds through regular contributions are available. These include the Save-Insure-and-Prosper Plan and the Flexible Ten Plus Ten Plan, both of which provide valuable life insurance cover.

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## SAVE & PROSPER GROUP



# UNIT TRUSTS

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**Christine Moir**

## FUND MANAGEMENT III

## COMMODITIES

## Newcomers in the trust arena

THE STOCK MARKET has been in a state of flux since the end of May 1976, while inflation has normally exceeded 15 per cent, and sterling has fallen to a low of 2.25 against the dollar. Against this background it is not surprising that embattled investors have tried commodities as a store of value not subject to the U.K. economy.

One striking fact is that new unit trusts have attracted £51m. altogether, a net new investment in unit trusts this year has been £136m. One at a time, the conclusion that the market is so shell-shocked that it has stayed covering in stock market bunker, and is to be rescued in the meantime, those who ventured all some shares when the index was at 384 last month and buy into the new unit trusts are now about 100 per cent. better off than if they had kept to shares (judging dividends and tax), the suspicion which greeted funds at their launch has faded. The last fund to be launched was in May, whereas new unit trusts investing in ordinary shares have been launched since that time, notwithstanding the fall in the stock market.

The reason is that U.K. law requires that commodity trusts be offshore and thus not subject to the same tax as ordinary shares. Many investors who would doubtless have invested in them have been diverted into unit trusts which invest in commodities rather than commodities themselves. These are allowed to advertise and do so quite aggressively in the spring and summer. But unit trusts, while having a role of their own, do not provide a satisfactory substitute for the more funds.

One of the main attractions of genuine commodity trusts at commodity markets tend to be counter-cyclical to stock prices. The theory is that in times of growing economic activity the demand for commodities rises and so do prices. Results in heavy demand money, so interest rates rise, the stock market falls.

The reverse is supposed to happen as economic activity slows down. Now commodity shares do tend to show relative strength towards the end of a bull market, but ultimately they are shares and not actual commodities; their overall movements (with dramatic exceptions) are tied more to the stock market than to the commodity market. This year, for example, ordinary shares have fallen 20 per cent., commodity share unit trusts are little changed, while the offshore commodity trusts have risen 20 per cent. or more. So only the actual commodities are really counter-cyclical to the stock market.

Within the small band of seven genuine commodity trusts, performance has so far shown an inverse relationship to the size of the funds. The smallest shares have shown dramatic rises, with Commodities and Options up 59 per cent. and First Vikings up 46 per cent. The heavyweights have brought up the rear with Metals Trust up 33 per cent. and Old Court up 30 per cent. (the latter was only launched on January 30).

## Different

The strong performance of the small funds is not just a reflection of the flexibility that is automatically given by their size. The smaller funds tend to have a different investment philosophy, seeing themselves as professional dealers quickly moving in and out as opportunities arise. The aim of the other trusts is rather to provide a stake in commodities through thick and thin.

The Save and Prosper Fund, for example, has had a heavy stake in copper throughout most of this year. An investor in the bigger funds is, broadly speaking, acquiring an expert selection of commodities, whereas in the smaller funds he is backing the dealing ability of the management company. There can be no doubt that the dealers have been the better bet so far.

But apart from these two categories of managed funds, there is a third type whose main characteristic is that it is not managed at all. The first Inland Revenue has been seeking to tax commodity trusts as income and so fears have been voiced that it might do likewise in respect of gains from investment in commodity trusts. However, this currently seems unlikely, at least for most small investors who hold their stakes over the medium or long term. The management groups report no cases of it so far but Surinvest is in the process of obtaining counsel's opinion on the subject.

Surinvest has been introduced by Surinvest. They simply invest in copper and silver respectively and allow investors to make their own mistakes in timing. This fills a need of smaller investors who could not otherwise buy stakes in these metals because of the minimum contracts on the London Metal Exchange.

Nevertheless, it shows how times have changed from the days when active management was a great selling point of unit trusts. It illustrates how the traumatic events of the past few years have led the private investor to take little or nothing on trust.

This point is further illustrated by the fact that the trusts with the well-established names behind them have attracted the overwhelming majority of investment. S. G. Warburg, Rothschilds and Save and Prosper have attracted £47m. between them, whereas the other trusts have only brought in £51m. despite the fact that their performance is better on average.

A second element in this trend is that the blue chip management groups have been able to use their contacts to obtain the institutional business. It is the institutions which have supplied the bulk of investment in commodity trusts and the biggest fund, Warburg's Metals Trust at £21m., is only open to pensioners and charities.

The amounts committed so far represent no more than dipping a toe in the water. Yet to the management companies they represent very worthwhile business and one wonders why other well-connected management companies, such as M and G and Hambros, have been slow to join the bandwagon.

At present, however, even the existing trusts are finding it difficult to attract funds. Commodities generally took a knock in July and recently the most widely held metal, copper, has been weak. As a result, the net inflow has eased off from the excellent levels of last spring and a couple of funds report a significant level of redemptions.

A fortunate by-product of the sell-off is that the tax position for private investors may be clarified. The Inland Revenue has been seeking to tax commodity trusts as income and so fears have been voiced that it might do likewise in respect of gains from investment in commodity trusts. However, this currently seems unlikely, at least for most small investors who hold their stakes over the medium or long term. The management groups report no cases of it so far but Surinvest is in the process of obtaining counsel's opinion on the subject.

More immediately, investment in commodity trusts will depend on the behaviour of commodity prices. The recent fall has taken place against a background of fear about the strength of the economic upturn combined with a rise in interest rates which makes financing expensive and the normal inactivity of the late summer months. However, it is worth remembering that among the major world economies the rise in interest rates has been confined to only a few

A clear picture would be important because if commodity trust prices are to be treated as capital gains then the trusts will have a tax advantage over direct commodity dealing for some people. This in turn could help the growth of the trusts.

European countries, while in the U.S. the Federal funds rate is still only about 5 per cent. Moreover, the growth of the American economy slowed in the third quarter but is forecast to rise again to an annual rate of 6 per cent. in the last three months. The commodity markets might well get a second wind within the next year or so.

Meanwhile, the history of commodity trusts is a short one. They have not yet had to face a proper bear market (with one exception). So far they have successfully defied the cautious welcome they were granted but some investors persist in regarding them as a passing fashion. A fashion like deficit budgets, inflation and a weak pound, perhaps?

James Bartholomew

## INVESTMENT TRUSTS

## Waning popularity

THE INVESTMENT trust sector, once a rapidly growing investment vehicle, has come in for a lot of criticism in recent years.

The movement's origins go back over a century, when the first investment trust companies were set up to invest in the expanding economies of the Commonwealth and North America. Indeed investment trusts were a growing force until a few years ago, but since 1973 they have fallen from grace.

Now, with some 250 trusts holding assets of over £51bn. (more than double the size of the unit trust industry) the investors' attitude can be summed up in the average discount of around 35 per cent. on which the trusts' share prices are standing in relation to their underlying assets. This discount is historically high and must be causing some concern to the industry.

This trend is perhaps even more disturbing when one considers that in the 1975-76 bull market the sector should have picked up support because of the gearing effect on its asset performance. Moreover, when sterling is under pressure investment trust shares are normally in demand as a currency hedge because of the high proportion of overseas assets. Even though both these conditions should have tempted investors to look at investment trust shares they have failed to do so.

Many outside commentators are attributing the wide discount to a poor investment performance by the sector. However, its performance has not been bad and the criticism is not really valid.

## Significant

Taking a view over the past few years, which have seen both bull and bear markets, it becomes apparent that as far as asset performance is concerned, investment trusts stand up at least as well as unit trusts. As for dividends, the trusts have admittedly lagged behind the average U.K. growth rate, but this year is seeing some significant increases as earnings from overseas investments grow, reflecting not only the continued devaluation of sterling but also the fact that overseas companies are not restricted by dividend restraint. So it is not performance which has disillusioned investors—though a couple of

mistakes have not enhanced the sector's reputation. One of the major errors of judgment was the rush by managers in the early 70s to take out overseas loans as a way of avoiding the imposition of the dollar premium surrender. But as sterling moved into decline, interest rates swung up and world stock markets fell, many managers were equally swift in paying off their borrowings as soon as possible.

Another mistake was the incredible expansion which took place during the 1971-72 bull market. During 1972 alone 40 trusts came to the market raising a total of £500m., not to mention a number of rights issues. The indigestion which followed still hangs on to-day and the sheer oversupply of investment trust shares is one of the major factors depressing share prices.

Apart from these two points there are a number of other fundamental problems which are holding down share prices. They generally yield less than the average for U.K. equities and in a period when both private and institutional investors have become increasingly yield-conscious it is understandable that their shares are short of buyers.

Institutions, particularly insurance companies, are becoming net sellers of trust shares, which is further undermining prices. Originally, institutions held trust shares to give an overseas spread but with an increasing number of them expanding their own investment departments it has become relatively cheaper to invest direct rather than through a trust. Meanwhile, private investors are swinging towards unit trusts. There are several reasons behind this trend—not least of them the lack of publicity by investment trusts as against unit trusts.

An almost perverse point is that because investment trusts enjoy a capital gains tax concession—the maximum on investment trust disposals is only 12½ per cent—where equity sales are necessary investment trust shares are often kicked out of the portfolio first.

There are various ways in which the sector could take action. For example, a greater publicity effort is needed if the trusts are going to fight back against unit trusts. Admittedly the style of advertising is restricted, and an investment trust cannot claim that its shares are cheap or offer units for sale. But it can indulge in corporate advertising like any other quoted company, while management groups could also point out their achievements in advertisements along the lines of the recent ones from Touche, Remnant and Philip Hill (Management).

Another point is something the association could work on—and that is the production of regular up-to-date asset values. After all, the unit trust sector has to produce daily valuations and if investment trusts could produce them just monthly it would give investors something to compare against share prices. As for combating the oversupply of trust shares there are several actions which have been suggested, such as utilisation, liquidation, and take-overs, or possibly the sanctioning of trusts buying their own shares. There has been much talk about the first two options, but it seems unlikely that any of the larger trusts will take any action.

When it comes down to detail there are a number of similarities in that the trust must be formally wound up, though of course the end result is widely different. In both instances prior charges must be repaid, the dollar premium must be surrendered and capital gains tax liabilities met. If the group is going into liquidation all the assets will have to be sold and

the actual prices obtained are bound to be far less than the middle prices used for calculating the asset value.

By the time the costs of liquidating are taken into account all the discount to the share price may have been eroded and the return to shareholders no greater than if they had just sold their holdings. So there may be no real benefit to shareholders and few trusts are likely to consider this move.

Utilisation does not involve selling of assets, but trusts are unlikely to approve such a move because most managers expect that a large proportion of institutional holders would show a clean pair of heels. This would mean that the managers would have to sell large amounts of stock in order to accommodate the sellers. So despite many calls for utilisation it is very unlikely that any of the trusts will do so.

## Enhanced

Take-overs are something rare in the industry, but there is now a growing realisation of the advantages to a financial institution are that it broadens its asset base and increases its reserves at a cost somewhere between the trust's market capitalisation and asset value. The attractions of a take-over become enhanced if the bidder can build up several holdings below 10 per cent., until he reaches 30 per cent., where a bid becomes mandatory. By this method the cost of acquisition would almost certainly be reduced. All in all it looks likely that there could be an agreed bid within the next few months from a financial institution.

For a trust to be able to buy its own shares would mean a change in the law, but the sector has not shown any signs of wanting such a change. It is worth pointing out that it seems to work well for the Dutch, Robeco. Though a positive demand exists for its shares, over the years it has been a net issuer rather than buyer. In the U.K. such powers are not really desirable and might lead to accusations of market rigging.

Nothing as drastic as utilisation or liquidation looks likely but managers are at last awakening to the need to publicise their wares by corporate advertising. The Association is encouraging members to extend the information they provide, and is itself intending to act as a source of statistics. So at least they are moving the right way.

Terry Garrett

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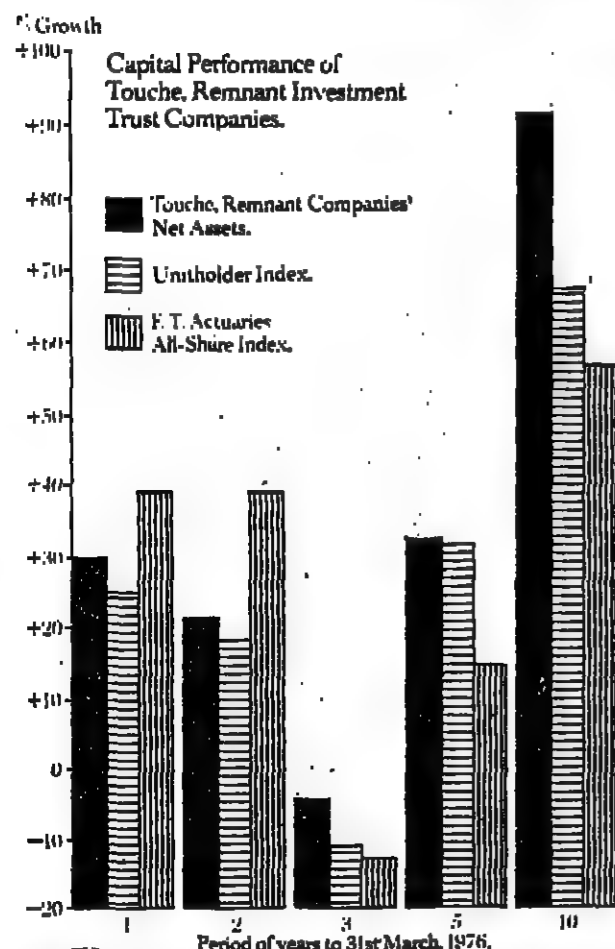
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Years	Touche, Remnant Average	F.T. Actuaries All-Share Index
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2	+31	+29
3	+43	+40
4	+59	+50
5	+69	+60
10	+89	+60

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## FUND MANAGEMENT IV STOCK MARKET Marked shift in patterns

RECENT YEARS have brought a marked shift in the pattern of ownership and control of Ordinary shares. Once widely spread among private individuals, equity holdings are increasingly concentrated within the portfolios of large institutions or are coming under the discretionary management of investment specialists of one kind or another. Although the corresponding increase in the expertise of investors is in many ways welcome, it has had noticeable effects upon the behaviour of the stock market.

A Stock Exchange dominated by the activities of many thousands of independently-minded individuals will, after all, behave much more like a perfect market. Their activity will be fairly evenly spread over time, and conflicting opinions will lubricate the system and tend to limit price fluctuations. Many of the investment transactions of private investors are independent of the particular phase of the stock market cycle - like executor sales, for instance.

Big institutional investors, however, tend to act much more like a herd. They share a common City background, are circumscribed by the same flood of brokers' reviews, and are affected by the same ebbs and flows of incoming or outgoing revenue. According to the Diamond Commission, the proportion of Ordinary shares in U.K. companies directly held by persons fell from 69 to 50 per cent. over the ten years from 1963, while the holdings of long-term funds like insurance companies or unit trusts rose from 21 per cent. to 36 per cent.

Official statistics show a steady disposal of company securities by the personal sector in the past few years at an annual rate of between £1bn. and £2bn. This period has coincided with the development of a much greater volatility in stock market levels. Until 1970 a good bull market showed a gain of perhaps 100 per cent. in the indices, and a bad bear market a fall of 35 per cent. or so. But between 1972 and the beginning of 1975 the F.T. Industrial Index fell by over 70 per cent., while in the subsequent bull market prices very nearly trebled.

It would be wrong to blame these gyrations wholly on the institutional fund managers. The volatility has also reflected the extreme monetary instability which has characterised the 1970s so far. But the big funds have exaggerated the swings by trying to build up liquidity in bear phases and then quickly switch back into shares when conditions look more favourable - a pattern of activity which by and large is not typical of small investors.

Periods of hectic activity such as in the first quarter of 1975 and again in the early part of 1976 have been followed by phases in which stock market turnover has shrunk to what for stockbrokers may be starvation level. This, August, for example, turnover in equities was only half as large as in January; and business in

medium- and long-gilt-edged was only one-quarter the size.

At peak times the surge in business has put strains upon the London stock market's jobbing system, and the large funds necessarily concentrate upon the more readily marketable shares of big companies. The merchant banks have, indeed, set up their own ARIEL computerised dealing system; but with under 2 per cent. of total business its impact on the main market has not been very pronounced.

### Buffeted

Perhaps not too much notice should be taken of the complaints of insecure stockbrokers and jobbers, buffeted by their erratic changes of fortune. But the volatility does also have its drawbacks for companies forced to make opportunistic rather than considered judgments when raising new funds. And it is especially awkward for the Government when it endeavours to manage the growth of the money supply in a consistent way through steady sales of gilts.

For stockbrokers the growing power of the institutions has had other implications. Big funds tend to be turned over much more often than the frequently inactive private portfolio, and institutional business has come to be a dominating factor for many large firms. Over the last ten years the average size of an equity bargain has climbed from £1,000 to approaching £4,000. And the professional manager often

requires a more demanding service than the small private client.

So there has been a large expansion - during bull markets anyway - in the research departments of stockbroking firms offering coverage which has tended to expand from individual company reviews - the old-fashioned "tips" - to regular coverage of whole industries. Beyond that, there has been a push into economic forecasting and monetary theory in order to give fund managers a deeper assessment of the background factors affecting stock market investment. Computers and TV systems have brought new technology to bear on the problems of instant analysis and communication.

But chasing the business of large funds also has its drawbacks. The investment in research software and hardware can be very large, creating big overheads - and while the returns can also be lucrative in good conditions, business levels can dry up unpredictably. Institutions normally make sure that enough commission is farmed out among large brokers in hard times to avoid large scale collapses; but the ration can be meagre and mergers and staff layoffs are common news items.

So it is not surprising that stockbrokers are tempted to go into the fund management business themselves. And the steady - if relatively modest - attractions of private client business have often been seen in a new light in the harsher climate since 1973.

Some broking firms - like Phillips and Drew - go in for the really big fund management business, involving multi-million pound pension funds and the like. The difficulty here is that it means setting up in rivalry with the merchant banks, which as a group generate a great deal of turnover and commission for stockbrokers. The merchant banks do not like dealing with competitors.

Other brokers have seen fund management as a way of coping more economically with the re-

quirements of their small clients. The level of commissions on small transactions such as to make it difficult to manage small portfolios actively, but by putting private clients into in-house funds and brokers can be maintained. A third solution has been to try and develop the management of private client portfolios into an economical, profitable business. Grievous are believed to be the largest in this field.

many provincial and country brokers with lower costs; local contacts have some advantages; but most firms still regard a significant interest in the area.

### Computer

W. I. Carr, for example, has invested in a sophisticated computer operation in order to give a quick and efficient service to clients. They are not particularly keen to welcome new clients with portfolios of under £20,000 or so; on the other hand they do not have any special lower limit.

Carr like to be given discretion to manage portfolios within the framework of a predetermined policy, such as the priority to be given to income or capital appreciation. "Decisions can be taken quickly," they say, "and we can deal in substantial amounts of shares for large numbers of clients simultaneously without disturbing the market by a succession of small orders. Besides this, the problems and costs of communication are reduced to a minimum."

Whether the stockbrokers' normal method of taking payment through commissions rather than in straight fees is satisfactory is up to the client to judge. Obviously there is a risk that the stockbroker, when he acts as a fund manager, is unduly interested in churning portfolios. In the end the commissions paid by the client need to be justified by the performance achieved.

Barry Riley

## PENSIONS Function in society

THE PAST two decades have seen a dramatic increase in the overall coverage of occupational pension schemes. Nowadays about 11m. employed persons are members of these schemes and the funds under management have grown to about £12bn. - second only to life assurance as a provider of investment capital. The recent pensions legislation is likely to accelerate this growth - new money is coming into the hands of pension fund managers at the rate of over £1bn. a year.

Although the new Government pension scheme has made people more aware of the need for adequate pension provision, it has not yet resulted in a widespread interest in how that pension is to be provided. With the legislation for member participation due in the new Parliamentary session, either through the trades unions or otherwise, the need for the operations of pension schemes to be publicised and explained is now vital. And nowhere is it more vital than with the investments.

The contributions made to a pension scheme represent forced involuntary savings by the individual for his retirement. Therefore he or she has a stake in the assets backing the pension fund and a right to know how the money is invested. This right should not be exclusive, as the trades unions demand, since the employer guarantees the pension and at the end of the day makes good any deficit. But member representatives should have a voice in the investment decisions.

Pension funds require the investment to be the longest term of all funds. A member will contribute for 40 years or more and draw his pension for at least another 15 years on average. Pensions are now usually based on final salary, so investment have to keep pace with salary inflation as far as possible. Hence a pension fund portfolio should hold a high proportion of equity type assets - Ordinary shares and property being the main types, though the British Railways fund has works of art in its portfolio.

The other general features of pension fund investment is that the funds are likely to have large positive cash flows for the next few decades at least, so that managers can operate in a climate of no forced sales of any holdings. Second, the funds are virtually free of all U.K. taxes. This makes income relatively more attractive than capital growth, since the fund can roll up income gross.

How do the funds invest in practice? Official statistics are rather scanty in this field. Figures supplied by stockbrokers Phillips and Drew on the aggregate portfolios of private pension funds show that U.K. equities accounted for 43 per cent. and overseas equities a further 8 per cent. Property investment, either direct or through exempt trusts, amounted to another 17 per cent., while gilt-edged holdings totalled 18 per cent.

Thus about two-thirds of portfolios are in equity type investments, the expected pattern in normal times. But with Minimum Lending Rate at a record 15 per cent., times are not normal. The financial statistics for the first two quarters of this year show a much heavier concentration of new money in gilts, reflecting the very high yields obtainable.

Investors do not need reminding of the importance of a proper investment strategy in order to maximise the return on a fund. Some trade unions seem to think that yield follows automatically from investment. But with pension funds, a 1 per cent. increase in the overall yield from the assets can reduce contribution costs by at least 10 per cent. For the employer, who after all puts up most of the money, proper investment management of the pension fund is essential.

Basically the investment of the pension fund money is the responsibility of the trustees of the pension scheme. But very few of the trustees will have the necessary time or the expertise to handle all aspects of investment. The task of investment management will have to be delegated and there are a variety of financial institutions offering their services.

The largest funds can appoint their own investment manager and set up a fully fledged investment department to deal with all aspects of investment. But such a course is not really financially viable for the remainder of the funds.

### Spectrum

The merchant banks have been offering investment management services to pension funds for many decades, handling the complete investment spectrum including direct property investment. Leading stockbroking firms have also been active in this field for a long time, but cannot offer direct property investment services.

No fund can really enter the direct property field unless it is prepared to earmark several millions for investment. However, the advent of exempt property funds - in effect unitised funds investing directly in property - has opened up this field to even the very small funds. The managers of the smaller funds can now put the pension fund clients into property by buying units in one or more of these property funds.

The clearing banks are now offering a service comparable with that of merchant banks and some life assurance companies are now entering the area of direct investment management services. Of course, life companies have always offered investment expertise through their insured pension schemes, it was part and parcel of taking out a scheme through an insurance company.

The recent development of exempt funds - equity and fixed interest as well as property - has meant that life companies can offer a partial investment management service, leaving the trustees to decide on strategy. This has meant that in the smaller funds at least,

the trustee does not have to hand over every investment aspect to the life company. They can at least have a hand in deciding what proportions to hold in the various media, in conjunction with the life company, and buy the necessary fund units. The life company handles the investments within each exempt fund. The growing role of trade unions in pension fund management may well result in a growth in this type of scheme rather than a fully insured one.

How does the scheme member know that the investments are being handled to his best advantage and that he is getting value for money? The first is to ensure that his representatives can take a full part in the main decisions not when to buy and sell ICI shares, but when to move into equities and when to hold off. The second means to insist on the performance being monitored by the pension consultant or consulting actuary. Fund managers should not be hanged on a particular year's performance, but they should be able to explain it convincingly.

The great debate is going on at present on the support of industry by the institutions, particularly life companies and pension funds. The accusations are that industry has been starved of funds and the counters are that until the investment climate is such that adequate returns can be obtained on investments then there will be no shortage of finance.

What these arguments highlight is that not only do the trustees have a duty to invest for the benefit of their members and the employer but that they also have some responsibility to the community at large. This goes far beyond propping up this week's trade union's good cause. It means the pension funds as the largest providers of capital taking a meaningful part with Government, employers, trades unions and others in determining the economic course this country is to follow. The good of all must mean the profit of each, and Equity Capital for Industry is just a start.

Eric Short

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## FUND MANAGEMENT V

# UNIT-LINKED INSURANCE

## Emphasis on investment

LIFE insurance industry shown a remarkable increase in funds since the war. £30bn. of assets under management, it now represents the largest single investment fund of finance. The savings aspects of life insurance have been heavily underlined in promotional material, and by the tax relief available on regular savings, while the event of the linked concept into life insurance has placed almost all assets on investment, death being treated as a fringe benefit.

It, then, does the life insurance industry offer individual selection of investments? It is certainly a selection of investments. An investor who life insurance has to accept a selection of investments with investors in a common fund. This should be self-evident, but many investors do not appreciate the implications of using life insurance as a medium.

The degree of involvement by individual depends on the life contract taken out. The most common form is the with-endowment assurance. Here the investor pays premiums regularly over a period and collects the sum at the end. The sum is invested in one fund which invests in the whole spectrum. The investor has no investment decisions to take at all, as the fund is the fund of the life company, but the fees inherent in a contract impose a restraint on investment. Matching of assets and liabilities is important, the more so the regulations to the

1974 Insurance Companies Act. This means that a high proportion of gilt-edged stock will be found in these life funds.

The method of ascertaining profits in the form of reversionary and terminal bonuses is a very complex process. The bonus levels depend not only on the investment performance, but on the proportion of profits that the actuary is prepared to release to policyholders. In the past, actuaries tended to be rather conservative in distribution, hence the present financial strength of the traditional life companies. Now a much higher proportion of profit is being distributed to policyholders.

### Respect

The end result of this method of fund management is a steady average return over the medium- and long-term. No life company is ever likely to show a phenomenal performance and some commentators in the good old days tended to scoff at conventional life assurance. In 1974 all that changed—an investment that did not lose its monetary value in that year commanded respect. Millions of policyholders over several decades have been more than satisfied with the returns on their with-profits endowment contracts.

But unit-linked life assurance introduced several new dimensions into the fund management services available to investors. First of all it gave investors a choice of various media, either by linking with unit trusts or by setting up internal funds on unit principles. Although in the initial stages the funds were equity-based, the linked companies soon

expanded into other fields—property, fixed interest, cash and even agricultural land.

If the investor wants to go into a particular investment field, say property, then he can take out a property-linked contract, the choice is his. But having made that decision, his money is invested in the common property fund with all other investors, who have decided to use that fund. The life company decides which properties to hold, when to change, what degree of liquidity to maintain.

The fund manager in a linked fund is not restricted by the need to cover guarantees in fixing his investment policy. He can go all out to maximise growth, either by capital appreciation or by income or by a combination of both. But his performance is much more closely monitored in a manner which his conventional life fund colleague escapes.

The second new dimension introduced by linked life assurance is that the return to the investor depends solely on the movement in the market value of the underlying assets. If the market moves up, then the investor has the full benefit reflected in the unit price. The converse is also true when the market falls, though to many investors, this did not become fully appreciated until the 1974 bear market.

The actual return to the investor thus depends on the unit price when he started, its movement over the investment period and above all the price when he gets out. Timing is all important, as it is with straight investment directly into equities. The investment manager can fix his policy for

long-term growth, but if the equity market is falling steadily, the value of his fund will also fall.

The investment manager can minimise this drop in value and in a bear market considers that he has done well if the fall is less than average. But it is poor consolation to the investor to be told he has lost less money than others. The general risk of loss in equity investment applies to equity-linked life assurance.

Still, to many an investor this is the thrill of investment, getting the market right so that he can hit the jackpot. The rewards of linked life assurance are great, the risks of loss are also great. It is possible actually to receive less in money terms on a linked contract than was paid in—a feat virtually impossible with a conventional policy, even in the darkest days.

### Facility

The third dimension added to the life assurance investment was the facility to invest lump sums in fields not available to unit trusts—direct property investment being a notable example. Property bonds are now an established feature of linked life assurance. Conventional life assurance, by its nature, is highly geared to regular savings.

Finally, the linked life companies introduced a much greater concern for the planning and packaging of their investments. These companies moved away from offering just one type of savings policy to designing combinations of policies to meet specific circumstances—instant financial planning. The conventional life companies are now following

## PROPERTY UNIT TRUSTS

### Challenge of interest rates

A spurt of growth put the property unit trusts 12 months from June of 1977 has been further encouraged, but the future is

latest figures from Harris Graham, up to September, show a annual return of 15.4 per cent. (In June, the corresponding figure was 13.7 per cent. During the same period, the Harris Graham 24 month Consols showed a yield of 10.5 per cent, average per cent. for equities and fixed was respectively 1.4 per cent. and 9.6 per cent., and the price index rose by 14.3 per cent.)

more gratifying for investors is the way with has affected the two three-year performance. In June, the annual percentage return on invested two years previously was 3.4 per cent. Over the year term the average is better at 3.6 per cent. The corresponding figure for the last 12 months was 2.3 per cent.

five years—and this is the most significant figure—the median annual return has risen from 9.1 per cent. to 9.5 per cent. Extending the period back to the last five years, the median annual return has risen from 9.1 per cent. to 9.5 per cent. Extending the period back to the last five years, the median annual return has risen from 9.1 per cent. to 9.5 per cent.

Investment in farmland is a new venture for institutions. Its attractions have become felt as yields on vacant land have risen from traditionally marginal levels of one to two per cent. to spring of this year they

had fallen 14 points to stand at 51 per cent. This fall added some 18.5 per cent. to the value of the portfolios in the funds.

Since then, yields have remained pretty well static but the immediate future can only be gloomy. The sharp rise in interest rates will have inevitable repercussions on property yields. However, it is too early to say to what level they are likely to rise and whether this will be permanent or merely for a period of months while the Government thinks again about its economic measures.

Most commentators in the market believe that the movement could wipe out the gains made since mid-1975 and some believe that prime office yields could even stretch to a bit above 7 per cent.

At the same time, the property unit trusts are already experiencing a falling off in interest from their pension fund clients. Last year there was a record £90m. net inflow into the funds. At the half-way point this year the figure was £38m. and most fund managers indicate a disappointing response to their September issues. The total net inflow for this year could be around £70m.

—still historically high. In placing their money, pension fund managers have had a wider choice than ever before. The number of property unit trusts is now around 23 and no fewer than four newcomers are specialising in agricultural investments.

Investment in farmland is a new venture for institutions. Its attractions have become felt as yields on vacant land have risen from traditionally marginal levels of one to two per cent. to spring of this year they

Some funds are also persuaded by managing their farms themselves (or in partnership) they can improve these yields by another 14 to 20 points.

So far, the performance of the agricultural funds is promising. Only one, Abbotstone, has been established long enough to take a place in Harris Graham's table. And that, over the past year, has yielded 18.2 per cent. to unit holders, giving it a respectable sixth place among the funds.

### Spoon

Best performer over the 12 months was the Charities Property Unit Trust, with Hambro, Abbey and Standard Life close behind. The wooden spoon award, for so long awarded to Welfare, has now devolved on Grasshopper, traditionally second from bottom.

To get back to strategy, apart from the substantial interest now being shown in farmland, one other sector has had a major revival of interest—industrial.

Until this year, industrial properties accounted for a relatively small proportion of most funds. Now, most unit trust managers are actively seeking good factory and warehouse investments. Several independent studies have thrown up the interesting news that as far as rental growth is concerned good industrial property has tended to outstrip offices. Furthermore, industrial property usually carry a coupon some two to three points above offices. With the rise in interest rates and consequently yields, the concentration on industrial property at 10 per cent. may look a good bet.

That is not to say office purchases have gone out of fashion—far from it. Following the record inflow of funds late last year, the unit trusts have been buying heavily in the market. Bank of England figures for the first half of this year show a £40m. investment in property by the funds.

Within this sum can be seen a trend towards buying larger blocks with price tags up to the £10m. bracket. In the main these have been on yields correspondingly higher than the base figure of 51 per cent. but some funds have been prepared to pay well over the odds for good reversionary situations. This is a far cry from 1974 and early 1975 when institutions refused to look at reversions.

There has been virtually no investment in property outside this country. Two funds, Barclaytrust International and Pan European, were set up to specialise in foreign purchases, but both are small and have pursued a cautious policy with a high liquidity ratio.

Some trusts are dabbling with direct development, either by picking up sites with planning permission or by taking over half-completed schemes. While in theory this should become a more significant role, the fund managers are reluctant to take on the developer's risks as well as the investor's—not an unwelcome view for pension fund managers.

Christine Moir

## PERFORMANCE

### Illusions dispelled

PAST PERFORMANCE has often been used to impress and lure the investor. In the 1960s and early 1970s—though not so much nowadays—almost the entire marketing effort of the unit trust and mutual fund industries was based on the premise that good past performance automatically led to a prosperous future.

It has taken some time for that illusion to be dispelled. But it is now quite clear that this assumption is not only untrue, it is often quite wrong. Indeed, a good record over the short-term is frequently the forerunner of a poor spell. The converse also applies: poor recent performance is often followed by a strong recovery.

The marketing men invariably advertise the funds that they can display to the public in the best light, which is only natural. The investor in turn will buy what he is being offered. Hence the fund with the worst performance, even though it might represent the best investment opportunity, will not be exhibited because the public will not respond. The end result is that, if the investor only becomes impressed once the track record has been achieved, he or she is likely to buy at

the top of the market. When disillusionment subsequently sets in the same investor will become frightened and sell at the bottom. This is the classic unit trust conundrum.

Pre-occupation with performance also brings tremendous pressure to bear on the investment managers. It is one thing to keep on one's toes but quite another to be terrified of slipping back in the performance tables and be tempted to go for the highly speculative situations in order to stay ahead. Many of the more speculative shares, which show spectacular gains in a rising market, take the hardest knocks on the way down and suffer from the worst marketability.

Anyone who bases his judgment on performance tables runs a number of risks. Arbitrary periods—calendar years, for example—can be extremely misleading. But perhaps the worst danger is in not comparing like with like. It is clearly quite wrong to compare the capital growth achieved by a growth fund with that of an income fund; the two were never intended to compete and cater for the needs of two sets of circumstances.

CONTINUED ON PAGE VII



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## FUND MANAGEMENT VI

# INDEPENDENT PORTFOLIOS

## Close links with the client

A PROBLEM which faces many prospective investors is that they are apprehensive of allowing their hard-earned savings to be swallowed up in some faceless fund. Their main concern is often that they will be losing all contact and control over their capital and will have no say just where, and when, the money will be invested. For this type of investor there are three traditional avenues which he is likely to consider. These are the portfolio management services which are offered generally by the clearing banks, the merchant banks and stockbrokers.

There are still several reasons, though, why a particularly cautious investor could be reluctant to sign his funds over to any of these. He could find for instance that both merchant banks and clearing banks are rather too impersonal for his tastes. It is also quite possible that with large organisations such as these an investor could find several different investment managers handling his portfolio over a number of years.

When the latter is the case

it will probably be very difficult for an investor to develop as close a relationship as he would like with the person looking after his money. Moreover, the small investor is likely to find that many merchant banks set their minimum portfolio level far too high for his individual level of wealth.

With a stockbroker, the fear, no matter how unjustified, might stem from the fact that brokers are concerned not only with private clients but also, and often in a very large way, with institutions. It would seem reasonable to assume therefore that an investment manager who is successful at managing individual portfolios is likely to be lured eventually by the institutional business. This again would prevent the investor from developing a close enough relationship.

There is, however, another alternative to these traditional services. Independent investment management firms have been developing rapidly over the past few years. In most cases these firms are fairly small, and handle only a limited number of portfolios. This enables the

investment managers to form very close links with clients who might be considered too small to merit a close relationship with a manager from one of the other types of organisation. With this type of service an investor can be certain of maintaining fairly close contact with his capital. Most of these independent firms prefer to operate on a full discretion basis which means that the investment policy of the portfolio is left entirely to the judgment of the appointed manager. However, it is the proud boast of most independent investment managers that they are nothing if not flexible.

### Reports

The close relationship between clients and investment managers is normally maintained by means of twice yearly progress reports. The reports will contain independent third party valuations of the portfolio at that date. The investment manager usually likes to meet his client whenever possible in order to discuss any changes in his financial position so that the portfolio's invest-

ment policy can be amended to afford him the greatest benefit. It is possible for a client to obtain progress reports more frequently than twice a year, though in the case of portfolios with a value of say less than £100,000 this may incur an extra valuation charge.

The size of the portfolios handled by the independent managers varies quite widely but they probably average out around the £50,000 mark. Few of the independents actually admit to a minimum portfolio value which they are prepared to handle, but often the fees are calculated in such a way as to make the preferred minimum quite clear.

Again, the preferred or actually stipulated minimums vary widely. In a recent survey conducted by the magazine *Planned Savings* the minimums ranged between £2,000 and £50,000, with about £10,000 appearing to be the likely average. Very few of these firms have a maximum portfolio value, but it is unlikely that any independent portfolio ever top £250,000.

Independent managers are so proud also means that clients can expect different types of benefits from their investments. It is possible that some clients will require their investments to return them a steady income while others may wish to see quick capital profits. Thus, by taking account of these quite different needs the independent managers are able to attract clients from widely different walks of life.

Attracting new clients, though, has been perhaps the greatest problem for the independent manager. This is because a large number of prospective clients are worried about entrusting their money to a small organisation, which may have only come into existence recently and consequently has no real track record. Many people feel that banks, though rather impersonal, at least have established reputations.

The independent managers have recognised this problem, however, and are currently in the process of doing something about it. Seven of the leading firms currently operating this type of service have recently

formed the Association of Independent Investment Managers. This has not yet been officially launched but it is a legally constituted association of independent managers drawn up by auditors Peat Marwick Mitchell and Company.

The main aim of this association is to offer "greater protection to the clients of independent investment managers. It is to early yet to say exactly what rules and regulations will be introduced for the member, but it seems likely that on primary rule will be the insistence that all holdings of cash and securities should be placed in acknowledged safe hands, such as with a clearing bank. The Association is also likely to recommend that investment managers provide some insurance cover against any loss of their clients' funds, due to either negligence or dishonesty on the part of the manager or any of his employees. Moreover it is likely that spot checks will be carried out to ensure that the members are conducting their businesses in line with the Association's principles.

### Members

The Association will be opening its arms to new members as from November 11 next. No all of the investment management firms will of course qualify for membership. In order to do so they need to be principally involved in the handling of private investment portfolios and be in a position to give advice and consultation to their clients on all investment matters. They must also be independent of any controlling body which would not qualify on its own merits that is, an investment trust, a bank or an insurance company. The Association's committee, which has been formed from the seven founder members, reckons that after its launch next month it should acquire an initial membership of around 20. This, it is thought, will provide the Association with enough teeth for its regulations to carry some weight, though it is hoped that its membership will eventually reach a full potential of about 100.

Whether the Association's influence on the investment sector will ever reach the required levels, with either 20 or 35 members, of course remains to be seen. But it seems fairly certain that its existence will provide at least some extra comfort for the prospective investor. Now, when a client approaches a small and relatively unknown investment firm, he will if the firm is a member of the Association, no longer have to take either the competence or integrity of the expert entirely on trust.

David Wright

Tom Kyte

## THE BANKING SECTOR

## More aggressive role

THE BANKING sector's ability to manage equity investment was in the past questioned to the point that other fund management groups viewed the competition with some degree of complacency. It was often pointed out that the merchant banks gave the impression that more time and the best managers were assigned to the large funds while the unit trusts and the smaller private portfolios were left to the second eleven. As for the clearing banks, it was generally thought that they lacked the experience to manage such funds and anyway their investment policy was by tradition very conservative.

But the banks, no doubt well aware of these criticisms, are

now taking a far more aggressive role in the field of fund management. No longer is fund management just another product in their range of financial services. The business is big and most of the merchant banks' investment management teams are keen to get across a certain air of independence from the main banking activities. The clearing banks have now moved into fund management in a big way and there is a definite about-turn in the way other fund management groups view the competition. The talk now is that the banks have an unfair advantage given their branch networks and "in house" promotion by the branch managers.

Hill Samuel is one of the merchant banks that has made its investment management team an entity separate from the bank, which is not surprising considering that the bank now manages funds of around £1,000m. But the bulk of this is taken up by pension funds to the tune of £500m, with £200m in insurance funds. In comparison the bank manages about £100m in units and £70,000 in private portfolios.

Their position of strength has been enhanced by a better understanding of "in house" investment potential at branch level. Barclays has educated its managers in the merits of unit trusts. It would expect the manager to approach a client that has a very liquid position and point out to him the possibility of a better

investment. Furthermore, if a customer asks the manager for a suitable investment vehicle without any specifications then he would automatically be put into a "in house" trust.

The clearing banks' move into the unit trust field is more recent than that of merchant banks, with Lloyds Bank starting the ball rolling back in 1966. Its first public offer brought in £21m without any hard sell through the branches. But the scope through the branches was enormous and Natwest (initially with the help of Hambros Bank) was another bank to exploit the situation. Following the entry of Barclays via Martins, Unicorn and more recently Midland Bank, following the takeover of Drayton, the clearing banks have become a driving force in the field of unit trust management.

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investment. Furthermore, if a customer asks the manager for a suitable investment vehicle without any specifications then he would automatically be put into a "in house" trust.

### Team

Apart from a far more extensive promotion campaign, the clearing banks have become more aware of the need to have a more flexible and experienced investment management team. Barclays has its own team of trust managers backed up by its own analysts which as a unit are able to give a competitive fund management service. As with some of the other clearing banks, Barclays also runs private portfolios on lines similar to those of the merchant banks. The charges here are more or less in line with the sector average, with a fee of £5 per £1,000 with a minimum charge of £200. Because of the minimum charge it is no longer a viable proposition to handle private funds, for it is a known fact that a large slice of the community looks to the bank manager first for advice on such matters as investment. And if they can give a satisfactory service then this must surely be in the best interest of the investing public.

tainly not high fees—but there can be no doubting how successful they have been.

Barclays is by far the largest now, handling funds in the units to the tune of just under £250m, while both Lloyds and Natwest are around the £50m mark with the newcomer Midland just over £10m. Perhaps the best indication of the banks' success in this field is the growing number of protests from those like stockbrokers and insurance brokers, who claim that the banks are gaining a monopolistic control of financial advice.

This form of protest does seem to be a little unjust, for the type of management expertise that is to be found outside the banking sector will always find a market. The others should after all be in a position to offer a greater degree of specialisation and there will always be the investor who wants something extra. The banks for their part clearly have a role to play for it is a known fact that a large slice of the community looks to the bank manager first for advice on such matters as investment. And if they can give a satisfactory service then this must surely be in the best interest of the investing public.

David Wright

Tom Kyte

## OFFSHORE FUNDS

### Flourishing operation

Dynamism is a commodity vital to most forms of stock market investment and one that has been noticeably lacking from the world's stock markets for most of this year. All the major European bourses stand at or near their lows for the year: that goes too for Australia and even Wall Street is only marginally ahead of its January levels, having failed to penetrate decisively new high ground on innumerable occasions this year. So by rights the offshore fund industry, with its relatively high operating costs and subsequent dependence on attractive investment performance, could be expected to be keeping a fairly low profile. This is not the case.

Despite the poor performance of stock markets around the world—and with the global economy slowing down the world-wide bull market that people talked of optimistically earlier this year is now beginning to look uncomfortably ragged—the off-shore fund movement continues to flourish. Several new funds have been launched this year (18 has, in fact, been a relatively busy time for the Channel Islands) and it is equally clear that further new formations are currently waiting in the wings. The tendency has been towards greater specialisation, but Save and Prosper, for one, reports a steady demand for its more broadly based growth funds.

Originally the word "off-shore" was a term applied exclusively to mutual funds (unit trusts) established outside North America. But in more recent years it has come to be understood as unit trust type investment established in a tax haven primarily for residents or citizens of countries with high levels of taxation. In most offshore funds now offer a far wider range of services than the list but matters like exchange control regulations and free access to a global investment also play a prominent part.

Where an offshore fund is based in one of the more classical or exotic tax havens—like the Bahamas, Bermuda or the Cayman Islands—funds may not be liable to capital gains tax so there is an obvious incentive for portfolios to be actively managed. Of course, residents of, say, the U.K. and the U.S. eventually have to pay their respective revenue bills when an offshore investment is cashed in, but in the intervening period the liability is postponed and gross returns help swell the overall performance of the fund. Over a period of years the rolled-up value of some offshore funds have (and can) proved a formidable attraction to investors. The tax lures extend just as invitingly into other areas.

does not involve a change of domicile to the U.K.).

On departure a family may transfer £5,000 of assets at the official parity rate, or up to £20,000 if the move is to part of the overseas sterling area. One may also take all household effects including a car and most group life insurance policies. But any further assets over that amount face a restriction of four years, and if taken out of the country before that time limit would usually suffer the investment currency premium.

Emigration involves, of course, just one of the many exchange control problems that an investment in an offshore fund can help solve. But as an illustration it is fairly typical, and is the sort of snag that any actively managed career can easily run up against. Offshore funds are increasingly learning to smooth out such difficulties.

### Categories

Roughly speaking, offshore fund investors tend to fall into four broad categories. The high taxpayer wishing to avoid some of his liability is the obvious starting point. Secondly, there are former residents of Europe and the U.S. who have retired to less tax-dominated parts of the world. Thirdly comes the employee of the international corporation with a high tax-exempt salary and a tendency to be shunted quickly from one part of the world to another. Finally there is the professional element. Offshore funds are often an ideal solution for the fund manager wishing to buy specialist skills. Institutions and trustees, notably in insurance fields, have made increasing use of offshore funds in recent years.

In the U.K. most of the major money management groups have offshore divisions. The banks are represented by Barclays and the Trustee Savings Bank, with names like Kleinwort Benson and Warburg showing the flag for the merchant bankers. Predictably the unit trusts are equally well represented.

The Tyndall fund launched a new offshore fund (a gilt-edged fund based in the Channel Islands) as recently as February, while Save and Prosper has barely completed the initial offer of its latest fund, the Dollar Fixed Interest Fund. Save and Prosper formerly a commodities fund last November. The Tyndall fund is primarily aimed at the investor within the Channel Islands and the Isle of Man, where its yield of 12.9 per cent. is an obvious attraction.

Individuals investing directly into gilts can take any capital gains free of tax once the investment has been held for a year, but the Tyndall Fund is treated as a company and is liable to corporation tax. This tax is nominal in Jersey. The fund has attracted something like £12m to date; the minimum investment is £1,500. Tyndall hopes to follow Save and Prosper's recent commodity lead with a similar fund of its own. Anyone contemplating an investment in physical commodities is of necessity forced offshore since authorised unit trusts in the U.K. are not allowed to tap this market. Save and Prosper's commodity fund, has pulled in close on £14m, barely a year with a £1,000 minimum investment. Its major stakes are in copper and rubber.

Jeffrey Brown

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## FUND MANAGEMENT VII

### FIXED INTEREST

#### Demand at peak levels

ABOUT four years now there has been a strong demand for investment vehicles giving income return with some capital values. On running well into figures coupled with equity and property — both of which were thought to be safe against inflation — are sible for this change in demand. Equities are again new lows, while the protector seems to be taking after knock. Moreover, rates have shot up to levels following the recent MLR to a record 15 per cent. Not surprisingly, demand for fixed interest is once more running at peak levels.

Income funds are the lifeblood of the unit industry with redemptions fairly high, a situation similar to the early when the guaranteed bond — until the Government closed the tax loophole — keeping the unit trust afloat. But these high bonds are facing stiff competition from other forms of investment. Gilts, ample, are now yielding up to 18 per cent, the recent rise in rates of course has sparked off funds specialising in equities.

Two high income funds that are aggressively marketed are Lawson High Yield and Arbutnot High Income. Lawson has a mix of preference shares, high yielding equities and investment trust income shares in the portfolio while at Arbutnot the fund is made up as to 70 per cent. high yield equities and the remainder in preference and convertibles.

The drawback with these high income funds, and indeed

with most other fixed interest investments, is that they are fine when interest rates are fairly static or falling, since they have a good mix of income coupled with capital growth. In come funds in the past have even outperformed the growth funds. But when interest rates are rising, as they have recently, then substantial losses in capital values are seen.

Since the beginning of this month Arbutnot has seen the offer price of its high income fund fall from 31.6p to 29.3p while at Lawson the decline has been from 38.5p to 35.4p. In other words those investors who bought these units before October have been getting income at the expense of capital. In such cases it might seem appropriate to take a slightly lower yield where the capital downturn is that much less. After all it is no good getting a 15 per cent. return on money if the capital base is being eroded at the rate of 10 per cent. per month.

Naturally there are those investors who are prepared to take a high starting level of income at the risk of a short-term drop in capital values. What is more, if investors feel that the measures recently taken to get interest rates higher have now run their course, the income bonds could be worth an investment since they are after all historically high-yielding funds.

It will take a brave investor, though, to predict that interest

rates have peaked and the time is right once again for longer term investments. It is these unsettled conditions together with the volatile state of the equity market that has made flexibility of capital movements a must with no long-term commitment. This climate has made the one year local authority bonds a much wanted commodity.

#### Noticeable

Yields on yearling bonds are now around 14 per cent, and at the same time money is only tied up for a period of a year. Such has been the level of demand for the bonds that last week's batch of local authority issues, totalling some £18m., was oversubscribed more than three times. The discount houses are normally very active in this market but last week there was a noticeable upturn in the demand from private investors.

Since the rates on yearling bonds are adjusted on a weekly basis they have been quick to move in line with the sharp jumps in the MLR, whereas traditional forms of risk-free income investments, such as the building societies, have reacted that much more slowly. This has further enhanced the competitive edge of the yearling bonds, since they are now yielding some two points more than the grossed-up rate of building societies. At the start of the year the differential was a half point in favour of the societies.

Volatile markets, rising

interest rates and an inflation rate running apparently unchecked can clearly erode the advantages of a particular fund in a short space of time, so some form of a guarantee was a long way. Such a vehicle providing a guarantee of maintained purchasing power is the National Savings index-linked issue. This scheme, which involves regular monthly payments, is linked to the Retail Price Index. At the end of the five-year payment plan the contribution would have been adjusted for the increase in the cost of living since the payment was made. There is also an option to leave the money in for another two years, when a bonus element would be included.

A vehicle such as the National Savings index-linked scheme is clearly ideal for the smaller investor in these unsettled times, while elsewhere the call of the day must surely be for flexibility. It is foolish to jump in and tie up capital when a new fund comes along that looks attractive, since—as pointed out—the terms can be quickly eroded, much as was the case with the guaranteed income bonds. Rates turned up so much that investors were prepared to take the surrender penalty to switch into more attractive bonds and this caused a number of life companies to crash, at the cost of those locked in. If an investor needs income then it would be advisable to spread the risk through a diversified portfolio.

David Wright

### PERFORMANCE

CONTINUED FROM PAGE V

or the Tokio S.E. index in Japan etc. — and not the F.T. Industrial Ordinary or F.T. Actuaries All Share indices.

Having said that, the emphasis on pure growth has died down considerably. The investor, presumably because of the economic climate in the U.K. and the pressure on incomes, is becoming more interested in security and income. Many of the more recent funds launched on to the market have been those with high income objectives. The public's appetite for income was demonstrated by the popularity of the guaranteed income bonds. And all of the single premium bonds (lump sum unit-linked life assurance policies), whether based on property, equities, cash or a mixture, have an income facility to satisfy this growing requirement.

#### Benefits

The public is also more interested in the tax benefits incorporated in the various investments available. Currently popular are the schemes that generate the cash to pay for school fees. The security consciousness of the public can also be seen in the demand for cash bonds, which take advantage of the currently high interest rates, and in convertible bonds which are basically a vehicle to keep money on ice until better times return in the investment markets.

For the professional adviser performance is tremendously important and most groups keep leagues tables of their own in addition to those published by such magazines as *Planned Savings* and *Money Management* and *Unitholder*.

The professional — whether running a unit trust, investment trust, pension fund, an insurance company, private portfolio, or whatever — has a mountain of statistics and information available to ease his task of achieving the best performance. Almost every office is equipped with the evergreen Exchange Telegraph cards which contain a mass of statistical and general information. But more sophisticated data, accompanied by persuasive arguments as to why a manager should buy, sell or hold a stock, is generated by the dozens of stockbrokers' research departments dotted around the City. The quality is variable: some is extremely useful, some finds its way into the fund managers' waste paper bins straight away.

#### Technical

Yet more information comes the professional's way from the chart firms which cater for those with a taste for technical analysis. Chart Analysis, for example, prepares charts on not only shares and fixed interest stocks, but also commodities and currencies.

Computers are coming more and more into play, following the lead set by Wall Street, where they have become a way of life. The capabilities of computers are particularly useful, and probably even indispensable, for those dealing in fixed interest stocks or in investment trusts where there is a requirement for a mass of daily up-dating calculations and adjustments. In such markets, it is those with the most up-to-date information who have the edge.

DataStream, the computerised financial information service which was formerly part of stockbrokers Hoare Govett is certainly the most sophisticated in the U.K., and probably in Europe. The DataStream computer contains information not only on U.K. equities, gilts and other forms of fixed interest but also on stocks quoted in North America, France, Ger-

many, Holland and Hong Kong. It also stores information on whole economies.

The number of programs on the system has grown from under 200 in 1972 to over 800. The value of this instant information has not been lost on the financial community and the usage of the service has increased 12-fold over the past four years. And 10 per cent. of the terminals are outside the U.K.

It seems this trend towards more and better statistics is likely to accelerate. Exchange Telegraph, for example, is now selling computer services and some foreign firms have set up in the City with information on overseas markets though mainly to service the foreign banks that have set up shop in London.

Keith Lewis



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### MANAGED FUNDS

#### Attempt at all-weather package

AGED bonds, mixed funds, funds—call them what will—were devised by the life assurance companies to keep the single pot boiling and the sea happy. Before these appeared, the public had huge quantities of equity and, when fashion changed, even larger quantities of property bonds. It was a natural step to put these components together in a package—along the style of an additional life fund, though marketing men would not—and offer the end result as an all-weather package.

In practice, however, things have turned out quite differently. The nimble footwork and the proposed shifts between the various investment media were simply not possible. As the funds grew so the problem mounted. It was not a practical exercise to switch millions of pounds of investors' money into the different compartments, particularly when the markets were shaky. As many people in the City knew to their cost, property can lose its market-

hilly very quickly — and its value. In forced sale situations the penalties are even worse.

In the stock markets of 1972-1973, especially in the later stages, shares were also lacking in marketability. Even the so-called blue chips were affected by this and some of the second-liners were unsaleable — certainly in any quantity.

The only real protection open to the managers was to build up liquidity, though not so much by selling assets in the fund as by not investing the new money coming in. But that too was a tactic that lost its potency, since as the funds grew the new money coming in represented a smaller percentage of total. And as investors became

thoroughly disillusioned and began to pull their cash out, such liquidity as existed was used to meet redemptions. The game has changed from the advertising stopped and new sales dwindled. In short, managed funds did not fulfil their earlier promise.

From the investors' point of view what really counts at the end of the day is the performance. The Hambro Life Managed Fund, which now amounts to £148m., is as good an example as any. Since its formation during the early part of 1971 the units have averaged a growth rate of 5 per cent. per annum after all charges. This is better than the average achieved by the Financial Times Actuaries All-Share index — a broadly-based index of the stock market — but of course is inferior to the performance of funds deposited with the building societies.

At present, the Hambro Managed Fund is invested 68 per cent. in equity units—in which there is an underlying liquidity element of around 10 per cent. — 28 per cent. in property units and the remainder in deposits.

At Hambro's great rival, Abbey Life, a new Managed Fund was recently formed with considerably greater freedoms of investment than the old Selective Fund, created in the spring of 1971. The Selective, amounting to around £40m. and not now being promoted, has powers to invest only in units of the Abbey Property and Equity Fund units. The balance between the two has mostly been roughly 50:50 and at present is 56 per cent. property; 44 per cent. equity. The performance of that fund on average since inception has been 6.44 per cent., which again shows that depositors in a building society would have fared somewhat better.

#### Freedoms

The Abbey Managed Fund has been created mainly so that it can have greater freedom: that is, it is not restricted to investment only in units. It can invest in shares direct, on its own account and in property — though for the latter the managers have so far only put money into the property fund. The total size of the fund is £23m.

The picture is not too different elsewhere, though of course there are minor variations. The Save and Prosper Managed Fund — currently valued at approximately £20m. — is split as to 40 per cent. apiece in equities and property, with the balance in cash or near cash.

But just as managed funds were a product of the times so new vehicles have come on to the investment scene. Income

bonds became the major successor and now there are such things as cash funds and convertible funds. The name of the game has changed from the pursuit of pure capital growth to income, or at least some sort of combination. Indeed, managed funds in most cases provide the investors with the facility of drawing a tax free income up to 5 per cent. of the sum invested.

So what of managed funds now? It would seem that the concept at least remains sound and intact. Most of the funds, in addition to the income facility, do offer the investor the chance to switch into other bonds. But all the evidence suggests that policyholders have so far not taken advantage of this to any great extent.

Much of the inflow of cash into the managed funds is not so much from single premiums as from regular premium. In this way, the investor agrees to contribute a set amount each month and is not subject to the same risks of timing. If the market is on the crest of a wave the monthly payment (the premium) buys fewer units and at the bottom the same premium buys more units. This has the effect of smoothing out the peaks and troughs — an effect known as pound-cost-averaging.

#### Niche

In its latest role of attracting regular premiums it could well be that the managed fund has found its true niche — that is, it is merely an alternative to the traditional with-profits endowment policy and was never in fact suited to the single premium market. Events have shown two things: that the managed fund is as susceptible to market swings as anything else; and that the people who were told, and accepted, that managed funds were an all-weather, all-purpose investment are prone to the same disillusionment as all investors under the impression that they stand to make a good profit from a position of security. An investment that fits that particular bill has yet to be devised.

In retrospect, the managed fund was produced at a very unfortunate time, in that both property and shares suffered very heavy falls in value after a sharp run-up. The average performances mentioned, disappointing as they are, present a reasonable picture. But investors who got their timing totally wrong are still nursing very heavy losses indeed on their managed funds.

However, the game is still continuing and for those who have not actually realised a loss and are still holders the position could still right itself given time.

Keith Lewis

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# WALL STREET + OVERSEAS MARKETS

## Opening firmness fails to hold

BY OUR WALL STREET CORRESPONDENT

OPENING FIRMNESS, aided by the 1-point reduction to 8.41 per cent in the prime interest rate by Continental Illinois National Bank and Trust of Chicago, failed to hold on Wall Street to-day and prices tended to ease after a strong two-day advance.

Closing prices and market reports were not available for this edition.

The Dow Jones Industrial Average opened another 2.32 up at 938.44 before reacting to 932.71 by 1 p.m. for a net loss of 5.73. The NYSE All Common Index shed 1 cent to 34.25, while the Industrial volume expanded 1.28m shares to 9.74m, compared with 9.5m yesterday.

Many investors were encouraged by Continental Bank's move, but quite a few remained concerned about the slowdown in the economy. Others, however, were awaiting approval by the Commerce Department's report to the Federal Reserve Board.

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### OTHER MARKETS

#### Canada mixed

Canadian stock markets continued broadly mixed in light trading yesterday morning. Industrial Mines showed some weakness, but Gold Producing stocks tended upwards in accordance with the jump in gold prices.

Imco dropped \$1 to \$312, Cominco lost \$1 to \$361, Falconbridge Nickel \$1 to \$361, and Denison \$1 to \$32.

But Noranda rose \$1 to \$331, and Campbell Red Lake \$1 to \$211. Sylvania advanced \$1 to \$171, while Dome Mines at \$38 and Great Yellowknife at \$51 each fell.

PARIS—Generally well maintained. Official news that French Retail Prices rose 1.1 per cent in September had little market impact.

Metals and Chemicals were mixed, while Petroleum was lower. Construction was particularly firm.

Jacques Borel International fell \$1 to \$263 following W. R. Grace increased stake in its capital.

Peugeot rose \$1.24 to \$182.50 on higher net operations in half profit. But Citroen shed \$1.50 to \$39 on a lower profit.

Foreign sector well maintained. Renault rose \$1 to \$124, but Melatosh fell \$1 to \$13.

Americans, Germans and Canadians were firmer, but Dutch values lost ground. Gold Mines rose an average of 4 per cent.

BRUSSELS—Broadly higher in light trading.

Non-Ferrous Metals were firm. Chemicals higher, modest gains were registered among Holdings and Oils firmed against the general trend.

South African Gold Mines improved.

AMSTERDAM—Sharply lower, attributed to developments at the Currency Market.

Banks were steady, while Insurance declined. In Transportation KLM finished \$1.25 down.

Holland-America Line Holding was up \$1.50, KNSM Group up \$1.50, and Shipping Union up \$1.50.

GERMANY—Leading shares lost up to around DM3 on Foreign and institutional selling, but in trading generally remained thin.

Among sharpest losses, Karstadt fell DM5, Siemens DM4.80 and KRD DM4.50.

Demand was very lively for Public Utilities and prices firmed up to DM0.30, with the Regulating Authorities seeking DM135m nominal of stock.

Foreign Bank Loans were also higher.

Swiss shares were mixed, with narrow mixed in moderate trading.

Banks were narrowly mixed. Industrials and Financials were steady, although there was some profit taking towards the close.

Financial Minings were mixed. Anglo-Siam rose \$1 to \$255, Mezzanone lost \$1 to \$255.

AUSTRALIA—Uranium gains released the Hix report.

Pancontinental advanced \$1.10 to \$4.10, Peabody \$1.10 to \$4.10, and Oronoco \$1.10 to \$4.10.

Kathleen Investments were up 10 cents to \$41.30 and Western Mining put on 5 cents to \$41.35.

NOTES: Overseas prices shown below are after withholding tax.

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NEW YORK, Oct. 28

## FOREIGN EXCHANGES

### Sterling weak

Sterling opened at its worst level ever in the foreign exchange market yesterday morning. Sales of the pound in Far East markets pushed the rate down to \$1.55, but once European markets began trading, sterling recovered quickly to \$1.5725 by 9.30 a.m.

The best level reached during the day was \$1.5750-\$1.5760, but rates fluctuated between \$1.5650 and \$1.5725, before closing at \$1.5690-\$1.5710, a fall of 62 points on the day, and a further record closing low against the dollar.

The pound's trade-weighted average depreciation since the Washington Currency Agreement, as calculated by the Bank of England, widened to a worst level of 48.8 per cent at the close, compared with 48.1 per cent previously, after standing at 48.7 per cent at noon and 48.6 per cent in early dealings.

The authorities may have intervened in the very short-term forward market to steady the pound's fall. Discounts on forward sterling against the dollar remained very wide, with the three-month rate closing at 6.17 cents against 6.12 cents previously.

The dollar, which had been around against the stronger European currencies, partly as a result of the pound's weakness, but also on indications of lower U.S. interest rates, following a rate cut by the U.S. bank.

Morgan Guaranty's calculation of the dollar's depreciation since the Washington Agreement was unchanged at 2.58 per cent.

The authorities may have intervened to prevent a sharp fall by the French bank.

JOHANNESBURG—Gold shares were steady after the IMF auction, although there was some profit taking towards the close.

Financial Minings were mixed. Anglo-Siam rose \$1 to \$255, Mezzanone lost \$1 to \$255.

AUSTRALIA—Uranium gains released the Hix report.

Pancontinental advanced \$1.10 to \$4.10, Peabody \$1.10 to \$4.10, and Oronoco \$1.10 to \$4.10.

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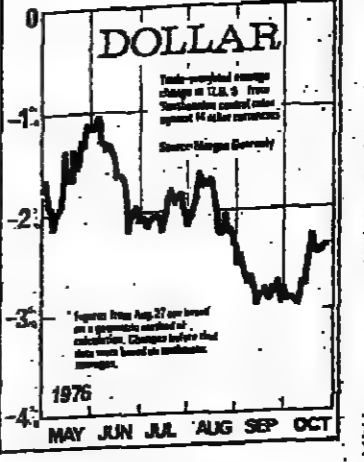
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while the Swiss authorities were reported to have sold Swiss francs to stem the rise by the Swiss unit.

Gold prices were steady, with very active trading, following the success of the gold auction by the International Monetary Fund.



### SPECIAL DRAWING

#### RIGHTS RATES

Use of D.M.	Oct. 27	Oct. 26
equal to	0.782502	0.781745
sterling	1.15566	1.15535
U.S. dollar	49.5921	49.5866
Belgian franc	2.77000	2.77000
Dutch guilder	3.7778	3.7778
French franc	9.9678	9.9652
Japanese yen	358.753	358.753
Swiss franc	2.00511	2.00511
Swedish krona	4.88787	4.88836
Swedish krona	5.18188	5.18188

Values are for conversion against the dollar as calculated by the International Monetary Fund in Washington.

### EXCHANGE CROSS-RATES

Oct. 28	Frankfurt	New York	Paris	Brussels	London	Amsterdam	Berlin
Frankfurt	1.0000	0.6667	1.3603	1.3603	16.6667	16.6667	16.6667
New York	1.5000	1.0000	1.5000	1.5000	1.0000	1.0000	1.0000
Paris	0.7311	0.7311	1.0000	1.0000	0.7311	0.7311	0.7311
Brussels	0.7311	0.7311	1.0000	1.0000	0.7311	0.7311	0.7311
London	0.0600	0.0600	0.0600	0.0600	1.0000	0.0600	0.0600
Amsterdam	0.0600	0.0600	0.0600	0.0600	0.0600	1.0000	0.0600
Berlin	0.0600	0.0600	0.0600	0.0600	0.0600	0.0600	1.0000

U.S. \$ in New York: 1 U.S. \$ = 0.6667 N.Y. dollars. U.S. \$ in London: 1 U.S. \$ = 0.6667 L.S. dollars. Sterling in New York: 1 Sterling = 1.5000 N.Y. dollars. Sterling in London: 1 Sterling = 1.0000 L.S. dollars. Rates for Oct. 27.

### EURO-CURRENCY INTEREST RATES

Oct. 28 1977	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	W. German Mark	Swiss Franc
Three months	14.17	4.5	8.1	7.4	2.5	10.18
Six months	14.17	4.5	8.1	7.4	2.5	10.18
One year	14.17	4.5	8.1	7.4	2.5	10.18

Source: Reuters. Rates are for London, unless otherwise stated. Rates are for London, unless otherwise stated. Rates are for London, unless otherwise stated.

### FORWARD RATES

Oct. 28 1977	One month	Three months	Six months	One year
New York	1.5000	1.5000	1.5000	1.5000
London	1.0000	1.0000	1.0000	1.0000
Paris	0.7311	0.7311	0.7311	0.7311
Brussels	0.7311	0.7311	0.7311	0.7311
Amsterdam	0.0600	0.0600	0.0600	0.0600
Berlin	0.0600	0.0600	0.0600	0.0600

Source: Reuters. Rates are for London, unless otherwise stated. Rates are for London, unless otherwise stated. Rates are for London, unless otherwise stated.

### JOHANNESBURG

Oct. 28	Price	Change	Div. Yield
Anglo-Siam	255	+1	4.5
Mezzanone	255	-1	4.5
Uranium	100	+1	4.5
Gold	100	+1	4.5

### BRUSSELS/LUXEMBOURG





# AUTHORISED UNIT TRUSTS

<b>Unit Tr. Mgrs. Ltd. (UK)</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Bridge Fund Managers (UK)</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>G.T. Unit Managers Ltd.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Kleinwort Benson Unit Managers</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Mercury Fund Managers Ltd.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Practical Unit Tr. Mgrs. Ltd. (UK)</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>J. Henry Schroder Wagg &amp; Co. Ltd.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Target Unit Tr. Mgrs. (Scotland) (UK)</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00
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## INSURANCE, PROPERTY, BONDS

<b>REGIONAL MARKETS</b> selection of the share prices previously shown under regional headings... London 100.00 Paris 100.00 New York 100.00	<b>Abbey Life Assurance Co. Ltd.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>The City of Westminster Assur. Soc. v.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Hambro Life Assurance Limited</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Lloyds Life Unit Tr. Mgrs. Ltd.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Prop. Equity &amp; Life Ass. Co. v.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Slater Walker Insurance Co. Ltd.</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00
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<b>NEWMAS</b> MARBLE ARCH, 723 20112 1 & 2, Lower Regent Street, 57 100.00 100.00 100.00	<b>ART GALLERIES</b> COLLIERIE, 14 Old Bond St. W.1 100.00 100.00 100.00	<b>CLUBS</b> EVE, 189 Regent Street, 734 5557 100.00 100.00 100.00	<b>CONCERTS</b> STATIONERS HALL, LUDWIG H. T. 100.00 100.00 100.00	<b>OFFSHORE AND OVERSEAS FUNDS</b> Delta Group, 3012 Nassau, Bahamas 100.00 100.00 100.00	<b>Old Court Commodities Ltd. (UK)</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00	<b>Target Unit Tr. Mgrs. (Scotland) (UK)</b> Capital 100.00 Income 100.00 Dividend 100.00 Net Asset Value 100.00
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